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China Report

ECONOMIC AFFAIRS

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26 August 1985

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NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON SOCIALIST ECONOMIC MECHANISMS

HK290617 Beijing GUANGMING RIBAO in Chinese 13 Jul 85 p 3

[Article by Zhao Xinya [6392 2450 0068]: "On the Socialist Economic Operational Mechanisms"]

[Text] Every economic pattern has an economic operational mechanism suited to its intrinsic property. The operational mechanism of the socialist economy is one that organically integrates planning with market mechanisms. Determined by the intrinsic property of the socialist economy, the two economic mechanisms objectively exist in the socialist economic movement and regulate the economic operation.

Market mechanism performs an organically restrictive function in the economic process following the interaction of the laws governing commodity economy (including the law of value, the law governing supply and demand, the law of competition, and the law governing currency circulation). It finds specific expression in the interdependent and mutually restrictive relationships between price, currency, supply, demand, credit, interest rates, and other essential factors in the relationship between commodity and currency. The socialist economy is a planned commodity economy in which market mechanism will inevitably play [a] role. However, because the socialist market is a planned one, this market mechanism has its own special feature. In the past people were apt to set planned economy against commodity economy and to deny the existence of market mechanism. Now, although the objective existence and the role of market mechanism have been universally recognized by people, the special feature of the role of market mechanism in the socialist economy and its internal law are still far from being recognized by people. The level of our understanding and conscious operation of market mechanism are still very low.

Planning mechanism performs a restrictive function in the socialist economic process following the action of various objective laws, such as the basic socialist economic laws and the law governing planned and proportionate development of the economy. It finds specific expression in reflecting the internal relationships of the planned target system as demanded by socialist reproduction, such as the relationships between speed, proportion, and economic results, which condition each other and serve both as cause and as effect. Like market mechanism, it is an objective economic mechanism determined by the intrinsic properties of the socialist economy. However, some people do not recognize the

objective existence of planning mechanism and, therefore, when talking about the target pattern of restructuring the economy, they often refer to it as the "combination of plans and market mechanism" or as the "integration of planning economy with market mechanism." As a matter of fact, this exposition is neither precise nor logical. Plans, planning economy, and market mechanism do not belong to the same level of economic category and, therefore, they should not be combined in this way.

Although commodity economy has experienced a long process of development, people still fail to gain a sufficient understanding of market mechanism. Planned economy was founded less than 70 years ago and, therefore, people have a far more superficial understanding of economic mechanism than of market mechanism. In the past people excessively stressed regulation by direct planning according to the pattern of product economy. This does not mean that planning mechanism has been excessively applied but rather people have violated the economic mechanism of commodity economy, which has resulted in the economy losing its internal vitality. As far as we are concerned, the objective operational mechanism of commodity planning economy is still a big "realm of necessity." Therefore, we should attach importance to the study and application of both market mechanism and planning mechanism. If we one-sidedly stress one mechanism to the neglect of the other, none of the mechanisms can be applied satisfactorily. Only by organically combining the two mechanisms in regulating the economy is it possible to achieve the objective of macroeconomic planning and to achieve a balance between the total supply and the total demand of social products.

The theoretical circle has different ideas on how to integrate planning with market mechanisms. I do not agree with the idea of dividing socialist production and circulation into several parts, one being completely and spontaneously regulated by market mechanism, one by planning mechanism, and another by the combination of the two mechanisms. This type of combination does not conform to the reality of the objective socialist economic movement. Today, when socialized production has highly developed, the economy completely and spontaneously regulated by market mechanism can be regarded as nonexistent. Take township enterprises for example. The production and circulation of many of their products are designated as within the limits of regulation by market mechanism. However, their development orientation and speed are controlled by the state, a large amount of their raw and semifinished materials is produced in a planned way, a large number of their products cater to the needs of large enterprises engaging in planned production, and their funds should be listed in the overall balance of social funds, a considerable portion of which comes from planned bank credits. Therefore, the economic activities of village and town enterprises are directly or indirectly subjected to the restrictions of planning mechanism. By applying economic levers in a planned way and readjusting prices, credits, and interest rates, the state conscientiously carries out regulation by market mechanism. This can be called planned regulation by market mechanism, which also includes the role of planning mechanism. Therefore, under socialist conditions, regulation by market mechanism which is completely divorced from planning mechanism which is completely divorced from market mechanism is nonexistent. Even regulation by mandatory planning cannot be divorced from the role of market mechanism. It is even more necessary for guidance planning to apply market mechanism to achieve its objective.

In practical economic operation, the two mechanisms neither expel each other in a "life-and-death" struggle nor are totally independent of each other, each going its own way. They organically combine to jointly regulate the distribution of social labor. So far as the entire society is concerned, the strength of the roles of the two mechanisms is determined by the various objective economic conditions, such as the scope of socialization, the degree of socialized production, and the development level of commodity economy. The larger the scope of socialization and the higher the degree of socialized production, the greater the demand for the strengthened role of planning mechanism. The more developed the commodity economy, the greater the demand for the strengthened role of market mechanism. However, under the specific conditions in a certain period, the strength of the roles of the two mechanisms is somewhat different because of the different natures of economic activities. The socialist enterprises are relatively independent commodity producers. Therefore, with regard to regulation of the microeconomic activities of enterprises, such as production, supply, and marketing, as well as investment decision, the role of market mechanism is greater while the role of planning mechanism is smaller. This reflects the status of enterprises as commodity producers, making them flexible, sensitively adapting themselves to changeable market demands, and instilling vitality into them. Conversely, in macroeconomic regulation, it is necessary to reflect more the planned character and uniformity of the overall activities of the national economy as a whole, such as economic structure, growth rate, proportions between the major economic branches (including those between accumulation and consumption and between agriculture, light industry, and heavy industry), overall arrangement of the productive forces, the overall balance between the total supply and demand of social products, as well as the comprehensive balance between state revenues and expenditures, between credit receipts and payments, between commodity supply and demand, and between foreign exchange earnings and expenditures. All these should be regulated from the macro objective of the society as a whole and from the perspective of long-term development. For this reason, the role of planning mechanism is greater while the role of market mechanism is smaller. Naturally, it cannot be divorced from the role of market mechanism.

In short, when specifically applying the two mechanisms, people should determine the strength of the roles of the two mechanisms according to the natures of different economic activities as well as their status in the entire economic movement. At the same time, they should also take into consideration the various subjective factors, such as people's level of understanding the two mechanisms, their ability to apply these mechanisms, and the level of the current planning work. Only by proceeding from the practical subjective and objective conditions and organically combining the two mechanisms it is possible to satisfactorily integrate the uniformity with the flexibility of economic operation and to establish a vigorous socialist economic structure with Chinese characteristics.

NATIONAL POLICY AND ISSUES

WORK OF STATE STATISTICAL BUREAU IN 1985 REVIEWED

Beijing TONGJI [STATISTICS] in Chinese No 3, 17 Mar 85 pp 2-5

[Article: "Essential Tasks of the State Statistical Bureau for 1985"]

[Text] EDITOR'S NOTE: The purpose of publishing excerpts of this article is to enable the readers to understand the arrangement of State Statistical Bureau work this year so that the various aspects can appropriately render support and carry out coordination.

The year 1985 is the first year in which we are gradually instituting the reform of the entire economic system with emphasis on the city. In this year, our central tasks are: To conscientiously implement the "Resolutions on the Reform of the Economic System" passed at the 3d Plenum of the 12th CPC Central Committee, continue to implement in depth the "Statistical Laws" and the "Resolutions of the State Council on Strengthening Statistical Work," accelerate the pace of the reform of statistical work, strengthen investigation and research and statistical analysis, actively provide statistical materials for the reform of the economic system and the compilation of the Seventh 5-Year Plan, and make better use of the role of statistical service and supervision.

I. Vigorously Improve the Effectiveness of Statistical Analysis for Policy Making.

We should pay particularly close attention to the reform of the economic system in launching investigation and analytical research in order to provide valuable statistical materials for decision making. We should reflect the progress in the reform of the system of organization in the industrial, construction and commercial sectors, and reflect the situation of the development of diverse economic forms and diverse business modes. We should investigate the readjustment of the rural industrial structure and the shift of the agricultural economy toward specialization, commercialization and modernization. We should analyze price parities among the various commodities as well as such problems as why the prices of certain mining products and raw materials are on the low side and why the purchase and sales prices of agricultural products are reversed. We should analyze the differences realized between mental and manual labor and between complex and simple labor

after the wage scale has been widened around the time of the wage reform. We should study the changes and problems in the reform of the system of organization involving the distribution among the state, the enterprise and the individual, involving the proportion between the funds from accumulation and the funds for consumption, and involving the interrelationship between the amount of currency circulation and the amount of commodity circulation.

While continuously doing a good job of progressive statistical analysis, we should focus on representing some problems of regularity in the economic development during the Sixth 5-Year Plan period in order to provide estimates of future trends of development. We should analyze the growth in industrial and agricultural production in recent years; analyze the progress of the key state construction projects and the technological transformation projects of the key enterprises; reflect the economic results in the realms of production, construction and circulation; compile the comparative materials on the economic results of various sectors and various localities; and provide estimates for quotas involving industrial and agricultural production, market demand and supply and labor resources.

We should study the new situations and new problems in our national economy and social development. We should strengthen the comprehensive financial statistics on input and output in order to represent the new macroeconomic changes. We should analyze conditions involving the balance in energy resources, the results in energy saving, the supply of the materials under state centralized distribution, and the balance between the production and sales of light industrial products and hogs. We should make use of census materials to conduct demographic analysis and forecasting. We should carefully investigate child-bearing ability and the social situations of the two provinces (Hebei and Shaanxi) and one municipality (Shanghai). We should collect and compile materials on the economic trends of various countries as well as the industrial and agricultural production structure and the consumption level and consumption structure of the major countries, and use them as references in our study of relevant issues.

We should advocate a working style of penetrating reality to carry out investigation and study, closely follow the development of the situation and the demands of the leadership, institute flexible and diverse statistical investigation and try by each and every means to improve standards of statistical analysis. On the basis of conscientiously obtaining accurate basic statistical data, we should adopt diverse methods of statistical analysis and strengthen material compilation and special-topic research. In accordance with the principle of revitalizing the economy at home and opening to the outside world, and in light of the issues with which the leading comrades of the party Central Committee and State Council are concerned in the reform of the economic system, we must select the appropriate topics, formulate plans and implement them accordingly. The leading comrades at various levels must personally emphasize the work of statistical analysis, conduct inspections every 6 months and carry out appraisal through comparison at the end of the year. Besides carrying out appraisal through comparison on the materials on statistical analysis of the various departments inside the bureau, we should also perform interregional appraisal through comparison.

II. Accelerate Completion of the Shift from "Closed" to "Open" Statistics.

In order to meet the increasing need of various groups for statistical information, we must process and compile diverse statistical materials, further expand our scope of service and improve our mode of service. We should improve the editing work of the "China Statistical Yearbook" and the "China Statistical Abstract." In the "Yearbook," we must carefully classify materials according to region and undertaking and compare them to foreign materials, and strive to publish Chinese-English bilingual versions. This year we will begin to compile and publish the "China Statistical Monthly," the "China Urban Statistical Yearbook" and the "China Rural Statistical Yearbook." Through newspapers, publications, news agencies, radios and television stations, we will publicize statistical materials in diverse forms on a regular basis. We will run properly the China Statistical Information and Consultation Service Center, cater to society and actively promote activities.

We should revise the "Scope of Confidentiality and Methods of Publicity Involving Statistical Materials," and implement it upon approval by the State Council.

III. Conduct Reform of the Statistical System and Methods in a Down-to-Earth Manner.

We should study and propose a preliminary program for the general design of the system of statistical indices for the national economy and social development. We should convert agricultural production statistics to economic statistics for rural society, and perfect such economic statistical indices for rural society as the gross output value of rural society, rural economic income distribution and results, and the basic situation of rural specialized households and new integrated economic bodies. We should formulate the program for configuring our gross national product and the output value of tertiary industries, and formulate classified catalogs for industrial and agricultural products and criteria for urban and rural classification.

We should improve the statistics for retail price indices and cost-of-living indices of staff members and workers, and compile price indices on a monthly basis. We should begin keeping statistics for the prices of industrial products and compile price indices accordingly. We should improve the statistics for price indices for products in the construction business.

We should continue to improve the statistics concerning economic results. We should study and improve the methods of comprehensive assessment of the economic results of the industrial enterprises. We should set up pursuit cards on the economic results of the large-scale and medium-sized projects after they enter into production as well as the system of appraisal through comparison for the economic results of the construction business, and improve the statistical indices for the economic results of enterprises after renewal and transformation. We should set up and perfect statistics for the economic results of retail commercial enterprises in the key cities. We should strengthen research on statistical methods that measure how scientific and technological progress affects the national economy as well as the economic results and social results of other sectors.

We should study the statistical methods concerning economic associations and economic and technological cooperation among the various regions and sectors, and recommend methods for configuring the output value of various regions and of various sectors under regional jurisdiction.

We should organize forces to investigate basic-level reports and offer suggestions for revising redundant, outdated and overelaborate reports.

We should study and set up a one-form system for the basic level. In the first half of the year, we will trial-implement one form for the foreign and joint ventures at the basic level in the special economic zones. On the basis of the pilot industrial general survey, we will study and formulate a basic-level one-form program for the industrial enterprises.

IV. Together with Relevant Sectors, Prepare Conscientiously for a General Industrial Survey.

Under the leadership of the general industrial survey leading group of the State Council, we should further emphasize the work of finalizing the program for a general industrial survey, and fulfill the basic tasks of checking the industrial enterprise units and strengthening enterprise accounting management as well as the task of training cadres in general survey. We should continue to carry out pilot projects in general survey properly. The first pilot project will involve all the enterprises of a city and county selected by the various provinces, autonomous regions and municipalities directly under central jurisdiction. The second pilot project will involve several undertakings or enterprises selected by the cities and counties. The two pilot projects will be completed before the end of June and the end of August respectively.

V. Emphasize Reform of the Statistical Management System.

We should continue to emphasize planning by the higher level involving the staffing of personnel in the statistical departments at and above the county level as well as the expenses in the statistical cause. We must establish a financial and accounting system in the statistical cause under unified leadership and management at separate levels.

On the basis of investigation and research and adequate consultation, we will formulate the scope of statistical work for the statistical department and the department in charge of business.

We should fulfill the organization and building of the two investigation teams and strive to basically equip the staff before the end of June.

VI. Actively Emphasize Allocation of Computers and Development and Utilization of Computer Technology.

We should run applied microcomputer study classes inside the bureau in stages and in groups, carry out training in basic knowledge for cadres at and above the level of department head, and carry out applied training for other specialized cadres. In coordination with the statistical bureaus of the

various localities, we should do a good job in allocating microcomputers, technological training and software development. We should strive to gradually equip the special economic zones, municipalities, prefectures and some counties with microcomputers by the end of this year. We should do a good job training and exchanging experience involving applied microcomputer personnel in the statistical system.

We should fully exploit the capacity of the present computers. While continuously doing a good job of presenting an exhaustive summary of the investigation into peasant, staff member and worker livelihood, the sample investigation of demographic changes, and the annual statistical report on basic construction, we should strive to carry out an exhaustive summary of the annual industrial statistical report, the annual statistical report on the investment in fixed assets by the system of state ownership and by the system of collective ownership in the urban areas, the statistical investigation of retail price indices, and the county rural economic cards.

In line with the demands of statistical modernization, we should emphasize the regularization of basic statistical work and summarize the pilot experiences of the two municipalities of Shanghai and Tianjin.

VII. Educate and Train Statistical Cadres Properly and with Vigor.

We should make preparations for and run well the China Television Correspondence Institute for Statistical Cadres. School will begin in the fall of this year. The academic program will be 3 years. If one passes the examinations for all courses, he will be recognized by the state as having the equivalent of an education in an institution of higher learning. We should do a good job constructing the Xi'an Statistical Institute and preparing for fall enrollment. We should run well the Statistical Institute of the Chinese People's University. In conjunction with Nankai University, Fudan University and the Shanghai Financial and Economic Institute, run well the class for majors and the graduate class in mathematical statistics and statistical theory and methodology. In conjunction with the Beijing University and the Applied Mathematics Research Institute of the Chinese Academy of Sciences, train graduate students in applied statistics. We should conscientiously emphasize secondary education in statistics. We should continue to operate the research class for heads of provincial statistical bureaus as well as training classes for specialized cadres in all kinds of statistics. In accordance with the regulations of relevant sectors, we should do a good job of assessing and managing the statistical cadres' proficiency.

VIII. Properly Conduct Statistical Scientific Research, Publications and External Affairs.

In coordination with the reform of statistical work, we should promote scientific research on such special topics as national economy accounting, statistics for tertiary industries, and the application of mathematical methods to statistical analysis. We should edit the "Statistical Research" quarterly, the "Trend of Statistical Scientific Research" and the "Trend of the China Statistical Society." We should organize and compile "Statistical

Work in Contemporary China" and introduce through translation the statistical theories and experiences of other countries.

Our statistical publications work must meet the needs of the development of the statistical cause. We should improve the standards of the "Statistics" monthly and do a good job of the publication and distribution of the "China Statistical Monthly" and various statistical materials and books. We should increase the quantity and variety of textbooks, reference books and self-learners on statistics, and strive to publish more special works and translated works on statistics with high standards. We should improve the business management of statistical publishing houses, improve the quality of publication, do a good job of economic accounting and pay attention to economic results.

In coordination with economic and social circumstances at home and abroad, we should compile such special-topic materials as "Outline of International Economic and Social Statistics--1985," "Urban Materials at Home and Abroad" and the Gross National Product abroad. We should strengthen international statistical exchanges. This year, we must focus on the study of such issues as national economic accounting, systems of economic and social indices and the system of statistical management abroad.

IX. Continue To Implement the "Statistical Laws" and the "Resolutions of the State Council on Strengthening Statistical Work," and Strengthen Statistical Inspection.

We should revise and formulate the "Detailed Regulations Concerning Implementation of Statistical Laws" and the "Outline for Implementation of the Modernization of Statistical Work." The "Detailed Regulations" will be reported to the State Council for implementation. The "Outline" will be implemented after discussion and revision at the National Statistical Work Conference.

We should strengthen inspection of the implementation of the "Statistical Laws" and the "Resolutions" of the State Council. We must commend and award those units and individuals for doing a good job of implementing statistical laws; criticize and educate those units and individuals that do a poor job; and organize our forces to conscientiously investigate and handle typical cases that violate statistical laws. We must consolidate and strengthen statistical inspection organizations and personnel. From now on, at the end of each year, we must conduct inspections on how the various localities and various sectors implement the "Statistical Laws" and the "Resolutions" of the State Council, and present written reports separately to the Standing Committee of the NPC and to the State Council.

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CSO: 4006/684

PROVINCIAL AFFAIRS

DUOJIECAIDAN ON ENERGY, TRANSPORT, TALENT

HK230257 Lhasa Xizang Regional Service in Mandarin 1130 GMT 22 Jul 85

[Text] In his government work report to the Third Session of the Fourth Regional People's Congress, Regional Government Chairman Duojiecaidan pointed out that it is necessary to strengthen energy and communications construction in Xizang.

Duojiecaidan said: The focus in the region's energy development must be on electricity. After a long period of preparations, the central authorities decided in March this year that the (Yangpu) power plant should be included in the Seventh 5-Year Plan as a central project, under the care of the Ministry of Water Resources and Electric Power. It will go into operation during the period of the Seventh 5-Year Plan. We must continue to carry out the expansion of the (Yangbaji) geothermal power plant. The No 1 generator set of the (Lanjiu) geothermal power plant should be in operation by 1 September. This plant, with its installed capacity of 3,000 kilowatts should all be in operation by the end of next year. We must also carry out preparatory work for the (Yangyingxiang) and Naqu town geothermal power plants and the (Pingcuo) hydroelectric station. The construction of the second state of the (Woka) power plant and the building of the (Shapi) and other power plants must be grasped well.

We must do a good Job in transformation of the Lhasa power grid, strengthen management, and economize in energy.

On communications and transport, Chairman Duojiecaidan said that we must act in the spirit of reform in grasping operational management of the Qinghai-Xizang and Lhagong highways, so as to make full use of them. We must take active steps to carry out the necessary improvements to some key sections and bridges on the (Heiteng) highway, to ensure that traffic can get through. We should carry out improvements to the (Anxi) highway as far as possible. Preparatory work must be carried out for construction of the (Dani) highway. We must also step up the maintenance of the existing highways. We must launch the masses to build township and village roads and develop non-governmental transport. We must step up and develop passenger transport, to seriously solve the masses' problems in catching a bus.

We must actively prepare for the establishment of the Xizang local airline company, and develop civil aviation.

Chairman Duojiecaidan pointed out in his report: We must adopt a variety of forms, use different layers, and apply various categories and specifications to speed up the training of talented people in Xizang.

He said: Extreme shortage of talented people is a very important strategic problem facing the region's economic construction, which needs urgent solution. In connection with Xizang reality, we must seriously implement the central decision on reform of the education structure, and do a good job in this reform. We must harmonize the relationships in education, achieve a benign cycle in education, and produce more talented people of good quality.

Considering the present and the long term, we must, first, get a good grasp of basic education. Here the focus must be on grasping the secondary and primary schools undertaking three contractual responsibilities, together with the Xizang schools and classes run in the interior of China, and ensure that they turn out large numbers of qualified secondary and primary students. Second, we must be resolved to tackle education for staff and workers. In principle, staff and workers under 45 who are not up to junior secondary graduate standard must, as a first step, be given cultural lessons to make up for their deficiencies, and, as a second step, be given specialized training. We must pay particular attention to education for nationality staff and workers. Some leadership forces of the region and the prefectures must form a powerful leadership structure for doing a good job in worker training, so as to change the present situation of scattered forces, multi-headed leadership, weakness, and inefficiency.

In organizing studies, it is necessary to formulate training plans for workers in conjunction with the reform of the economic setup and the structural reforms. These plans should be implemented in a measured way.

CSO: 4006/824

PROVINCIAL AFFAIRS

DUOJIECAIDAN DISCUSSES WAGE, PRICE REFORMS

HK240249 Lhasa Xizang Regional Service in Mandarin 1130 GMT 23 Jul 85

[Text] In his government work report to the Third Session of the Fourth Regional People's Congress, Regional Government Chairman Duojiecaidan pointed out that it is necessary to get a good grasp of reforming the wages system and price setup.

On reforming the wages system, chairman Duojiecaidan said: Party and government organs and undertakings and units will mainly practice the wage system of paying appropriate wages for the job, meaning that the wages of staff and workers will be closely linked to an individual's job, responsibility, and accomplishments. Regarding the reform of wages in enterprises, in accordance with the intentions of the State Council on this question, enterprises owned by the whole people where the conditions are right should gradually institute the method of having the total wage bill floating up and down according to the enterprise's economic results. the wages and bonuses of staff, workers, and operatives should be very closely linked to the enterprise's performance in economic results and to their individual contributions. Enterprises where the conditions for this are not yet ready can continue to practice the existing method, and also improve it.

On reform of the price setup, Chairman Duojiecaidan said: The current main tasks in this reform are to further harmonize price relationships, continue to lift price restrictions on local products and daily necessities produced by industry, readjust the prices of materials allocated by the state, stipulate guidance prices for agricultural, animal husbandry, and indigenous [word indistinct] on which price restrictions have already been lifted, and control price movements within a certain range. We must readjust the standards of charges for water, electricity, and other things that are not commodities. We must propose specific methods of price management regarding commodities with a bearing on people's production and daily life.

How to ensure basic price stability while reforming the price setup is a matter of concern to all the masses. To maintain basic price stability, we must do everything possible to develop production, actively organize sources of supply, enliven the circulation channels, strictly control blind growth in consumption funds, control the amount of money in circulation, and strengthen macroeconomic control.

We hope that the people's congresses at all levels and the delegates will step up supervision in this respect. We must strictly enforce the stipulated price and charge levels. Arbitrary price hikes and impositions of charges are prohibited. The price, industrial and commercial management, tax, bank, and auditing organs must closely cooperate in stepping up management, supervision and inspection of prices.

CSO: 4006/824

PROVINCIAL AFFAIRS

GUANGDONG ECONOMIC CONSTRUCTION

Beijing WUZI GUANLI [MATERIAL MANAGEMENT] in Chinese No 5, 20 May 85 pp 8-9

[Article by Liang Lingguang [2733 7227 0342]: "Guangdong's Economic Construction Is in a State of Development and Progress--Digest of a Speech at the All-China Conference of Directors of Material Supply Bureaus of Provinces, Autonomous Regions and Directly-Administered Municipalities"]

[Text] Conditions throughout the country are very good and equally good in Guangdong Province. Since 1979, the CPC Central Committee has adopted a special policy toward Guangdong Province, instituting flexible measures and creating special economic zones. The actual practice of the last few years is evidence that the Central Committee's policy of opening up to the outside world and of invigorating the economy is absolutely correct; it has promoted overall development of the national economy in Guangdong Province. Last year, the gross value of industrial and agricultural output [GVIAO] for Guangdong Province was 53.55 billion yuan, 17.7 percent higher than 1983. Industrial output increased 20 percent, amounting to 36.69 billion yuan, and agricultural output increased 13 percent, amounting to 16.86 billion yuan. Taking the figures of 1980 as basis, GVIAO increased an average of 12.1 percent per year during these 4 years, which reversed the situation existing prior to the 3d Plenum of the 11th CPC Central Committee when Guangdong lagged behind the average national growth rate for 14 consecutive years.

There was a rapid development of foreign trade. In 1984, the total value of export trade from Guangdong Province amounted to 2.42 billion yuan, which was a 1.2-fold increase compared with 1978. As regards importation of foreign capital and advanced technologies, we have signed over 50,000 contracts of various kinds for economic and technical cooperation with parties from foreign countries, Hong Kong and Macao. The investments involved in these contracts amount to \$7 billion, of which \$1.9 billion is currently being applied. In our cooperation with foreign capital, we are employing a variety of forms, such as joint ventures, cooperative management, wholly-owned foreign ventures, carrying out the "three imports and one compensation" forms of business (importing raw materials for processing, importing samples for processing, and importing samples for assembly, and compensatory trade), forms that have played an important role in the economic development throughout the province.

Guangdong has gained certain experiences in opening up to the outside world and invigorating the economy. First, in cooperation with foreign capital, the important point of emphasis is cooperative management. About 80 percent of the more than 7 billion yuan of capital imports by Guangdong belong to the category of cooperative management arrangements. For example, in the case of the joint construction of the China Hotel, built with an investment of \$100 million by six Hong Kong financial groups in cooperation with Guangzhou Municipality, our side provided only the construction prerequisites and a piece of land. On completion of the construction, our side appointed the chairman of the board and the deputy manager, while the foreign side appointed the deputy chairman of the board and the chief manager, the foreign side thus mainly carrying out business operations and management. Upon State Council approval, the enterprise was exempted from income tax until repayment of capital and interest. After repayment of capital and interest, our side and the foreign party will share profits half-and-half, while any losses will be borne by the foreign side. After 20 years, the hotel will exclusively become our property. In a cooperation of this kind, where our side provides only certain production prerequisites while the foreign side invests capital, imports equipment and technology and is responsible for production and management, we can gain good economic returns without running any risks. Under the current conditions of the economic administrative system, this method of importing foreign capital is simple, convenient and easy to operate; it is presently our main form of importing foreign capital.

Second, the large-scale importation of raw materials for processing. Our proximity to Hong Kong and Macao places us favorably for cooperation with foreign capital. For instance, more than 600,000 people from Dongguan County are in Hong Kong and Macao, all of whom--from county to commune, production brigade and production team--are engaged in processing imported materials. Their income last year amounted to \$60 million. The adoption of a variety of forms of using foreign capital and of importing technology has improved Guangdong's production technology and management quality while greatly accelerating development of the national economy.

Third, applying the law of value and gradually expanding the role of market regulation are areas where much work was expended in Guangdong. Last year, the total amount of social retail sales was 27.3 billion yuan, an increase of 21.3 percent over the previous year. The increase during the last 6 years was at an average growth rate of over 20 percent. In the past, there was little of anything in Guangzhou and all goods were in short supply in the markets. The 3d Plenum of the 11th CPC Central Committee inspired enthusiasm in all quarters, and the markets became pictures of abundance. Fresh fish, which in the past was seldom seen on the market, can now be bought at any time. In 1978, 1 jin of fresh fish cost over 3 yuan; the price dropped to 1.50 yuan last year, recently rose a little to around 2 yuan, and has remained basically steady since. Following the 3d Plenum, agricultural and sideline products were gradually freed from controls and the number of items under state purchase or quota restrictions was reduced from 110 to 16, and recently again reduced to grain, oil, sugar cane, jute and tobacco. All other agricultural and sideline products are completely subject to market regulation. The industrial products of categories I and II under provincial control have been reduced from 95 to 22 items. The quotas of directive-type planning have been

reduced, and the sphere of guidance-type planning has been broadened, which has inspired enthusiasm among production enterprises. Commodity prices increased somewhat in 1980 and 1981, but gradually stabilized since. Last year, the commodity price index for Guangdong Province rose only 1.2 percent, and all markets remained well supplied.

Capital construction also made good progress throughout Guangdong Province. During 1979 to 1984, total investments were 21.56 billion yuan, a 1.1-fold increase over the total investments of the 6 years prior to the 3d Plenum of the 11th CPC Central Committee. Last year, it included a 49 percent increase in investment by the central authorities in capital construction in Guangzhou. This was the reason for considerable shortages in building materials, but for the design and execution of capital construction projects in Guangzhou, inviting tenders and public bidding were employed, as well as a system of contractual responsibility for certain items, so that the problem of obtaining most of the necessary raw and other materials could be solved in the areas subject to market regulation, and capital construction could progress very rapidly. The China Hotel mentioned earlier, a 28-storey building, required only 28 months from pile driving to completion of the structure. Last year, Zhongshan City imported a Japanese production line for washing machines with an annual output of 200,000 sets, the construction of which, ready for production, was completed in only 11 months. Shenzhen was formerly a small town with a population of only 20,000; now its population has increased to over 300,000. Its past industrial and agricultural output value amounted to only 60 or 70 million yuan but reached 1.8 billion yuan last year. There was a 28.5-fold increase in the last 5 years, and production and construction has progressed at an astounding rate. The tallest building in Shenzhen has 50 storeys; its construction proceeded at an extremely rapid rate; in the latter stages of construction, each storey was built in 3 days.

Marked improvements have been achieved in the people's livelihood; the income of most peasants has greatly increased. The monthly income of the heads of production teams in the suburbs of Guangzhou is 600 to 700 yuan. In 1984, the average pay of staff and workers throughout the province was 1,153 yuan. After deducting the commodity price increase factor, this amounted to an increase of 38.9 percent over 1978. These facts prove the accuracy of the general and specific policies adopted since the 3d Plenum of the 11th CPC Central Committee.

Of course, we still lack experience regarding the reforms and the opening up of the country, and we still face certain problems in our work. First, there is the shortage of energy. Capital construction is now progressing rapidly, as many factories are being newly built or expanded. In addition, there is a considerable increase in popular consumption. Many households are buying tape recorders, refrigerators, color TV sets, electric rice cookers, etc., which all require much energy. Currently, Guangzhou is short of electric power by about 20 to 30 percent. This is mainly due to inappropriate planning in the past, when the problem was not given the necessary attention and its solution not firmly taken in hand. Second, there is the lack of transport and telephone facilities. When I now meet foreign businessmen, they always mention this as the most disturbing problem after a few days' stay in Guangzhou. Third is the unevenness of Guangdong's economic development.

Progress is most rapid in the Zhu Jiang delta and the coastal regions, where standards of living have improved considerably. Most of the mountainous regions remain comparatively backward, and although their basic needs are being met, living standards are low and progress is slow. Fourth, our economic results are still too low, too much money is put into circulation, and unhealthy tendencies are a serious problem in some localities and departments. This is a problem that deserves serious attention.

Considering the average annual growth rate of 12.1 percent in the last 4 years, the future economic development of Guangdong Province is capable of achieving the quadrupling of GVIAO 5 years ahead of schedule, or by 1995. We are now convening the enlarged meeting of provincial party secretaries to implement the spirit of the All-China Conference of Provincial Governors to study how, under the conditions of opening up the country to the outside world and of invigorating the economy, to strengthen our administration, strengthen our institutions, strengthen discipline and how to achieve healthy, continuous progress in our work.

As to the material supply work in Guangdong, briefly stated, we shall reduce the sphere of directive-type planning and further expand guidance-type planning, we shall apply the law of value, effectively allow market regulation to play its role, make every effort to organize our natural resources and satisfy the requirements of production and construction. Production and construction in Guangdong are now progressing very rapidly, as the proportion of various materials obtained through market organization is very large. According to statistics, capital construction in Guangzhou Municipality used 1.45 million tons of steel products during 1980 to 1983, state and provincial allocations accounted for only 14.1 percent, while 85.9 percent were obtained from sources subject to market regulation. During 1980 to 1984, allocations by the state plan accounted for only 25.5 percent of the total 7.052 million tons of steel products for social consumption; allocations by the provincial plan accounted for 16.4 percent, and the portion from sources subject to market organization accounted for 58.1 percent. Relying only on allocations of materials by the state plan could not by far satisfy the needs of the market. It is, therefore, now a focal point in our materials supply work, to make great efforts, outside of the directive-type plan quotas, to organize the supply of extra-plan materials and to enliven materials circulation. We must clearly recognize this situation. Enlivening materials circulation means, on the one hand, enlivening prices: for plan allocations of materials, plan prices shall apply; for materials obtained outside the plan, market prices shall apply, and enterprises must ensure covering their costs in their business operations. On the other hand, our efforts and gradual explorations must be directed toward opening up a multiplicity of channels, reducing intermediate links, and promoting opened-up forms of operation. Last year, the materials supply system of the entire province organized resources in such a way that the needs of industrial and agricultural production were ensured, and great work was done in this respect. Sales receipts were 4.43 billion yuan, an increase of 25.4 percent over the previous year and more than double the 1979 amount of 2.05 billion. In this way, the material supplies needed for the development of industrial and agricultural production throughout the province were guaranteed. Materials circulation showed improved economic results, compared with 1979. Capital turnover time was reduced from 83 days

to 50 days, and the level of costs reduced from 11.98 percent to 9.3 percent. Furthermore, diversification of business operations was carried out, and total profits increased from 16.4 million to 120 million yuan. In all these respects our work has only just started, and many problems still remain. It is our hope that the State Materials Supply Bureau and the comrades in the fraternal provinces and municipalities will inspect our work and afford us their guidance as well as their energetic support to render our materials supply work more efficient so that it may help speed up the pace of our four modernizations drive.

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PROVINCIAL AFFAIRS

LIAONING PROVINCIAL CPC COMMITTEE WORK REPORT

SK250800 Shenyang LIAONING RIBAO in Chinese 17 Jun 85 pp 1-2

[Work report for the Liaoning Provincial CPC Committee presented by Li Guixian, secretary of the provincial CPC Committee, at the Sixth Provincial Party Congress on 8 June 1985: "Go All Out To Make the Country Strong, and Vitalize Liaoning"]

[Text] Fellow Delegates, Comrades:

Entrusted by the Fifth Liaoning Provincial CPC Committee, I will give a work report to this congress for your examination and discussion.

1. The 5 Years to Effect a Historical Change and Make Successful Advancement

The Fifth Provincial Party Congress was held in August 1979. During the past 5 years, we unswervingly followed the line adopted at the 3d Plenary Session of the 11th CPC Central Committee, emphasized the work to straighten things out and restore order in guiding ideology and practical work, and readjusted the national economy by implementing the 8-character policy of readjustment, restructuring, consolidation, and improvement. After the 12th National Party Congress, we furthered the policy of opening to the outside world and enlivening the domestic economy in the field of the economy, and strengthened the building of the two civilizations. After the 3d Plenary Session of the 12th CPC Central Committee, we again initiated the overall economic reform focusing on the urban economy, and thus successfully achieved a historical on all fronts of the province. [Sentence as received] A good situation emerged in which the people made progress and invigorated their minds and in which there was economic development and political stability, and an initial new situation in socialist modernization was created. Major indicators were as follows:

We broke with the serious shackles of the long-term mistake of "leftist" deviation and dogmatism, and strengthened things out and restored order in the ideological and political fields. We redressed a great number of unjustified cases and cases involving wrongs and frame-ups, and further implemented a series of party policies, such as those on cadres, the United Front work, and intellectuals. In particular, we thoroughly negated the "Great Cultural Revolution" through party rectification, eliminated factionalism, strengthened unity within the party, established closer ties between the army and the locality, improved the relations between the party and the masses, and further consolidated and strengthened stability and unity.

Good results were achieved in the reform of the economic structure. The household output-related contract responsibility system was enforced in rural areas in an all-round manner, and the rural production was restructured to make the rural economy develop toward an orientation of commodity production, specialization, and socialization. More than 90 percent of the province's industrial, commercial, and agricultural enterprises and establishments showed improvement through consolidation. In restructuring the urban economy, a whole range of reforms, such as simplifying administration and delegating power to lower levels, separating government functions from enterprise function, and granting enterprises greater autonomy in production and operation, are being carried out in order to invigorate enterprises. More than 1,000 industrial enterprises throughout the province were chosen as pilot units to try out the system of having directors (managers) assume full responsibility. In the building industry, the systems of investment responsibility, of signing contracts to fix the amount of wages for every 100 yuan's worth of finished work, and of public bidding were widely enforced in the circulation field, a system with "multiple channels, fewer intermediate links, and an open style" was popularized to improve commodity circulation in both urban and rural areas.

The province's economy began to advance along a track of sustained, steady, and coordinated development. Agricultural production grew at a fairly high speed. In 1983 and 1984, our grain output reached 29.7 and 28.5 billion jin, respectively, showing an increase of 24.3 and 19.7 percent, respectively, over 1979. The amount of grain purchased was greater than that marketed for 2 successive years, thus making it possible to achieve self-sufficiency with a surplus. This was a historical breakthrough. The diversified economy also witnessed great development, and a new change took place in the proportion of farming, forestry, animal husbandry, sideline production, and fishery. Industrial production continued to grow in the course of readjustment. Light industry was developed fairly rapidly, and the product mix of heavy industry was readjusted to expand the realm of services. In 1984, the total industrial output value was 57.77 billion yuan, a 40.1-percent increase over 1979. Of that sum, the light industrial output value was 20.34 billion yuan, an 85.7-percent increase over 1979. Thanks to a proportionate development of agriculture, light industry, and heavy industry, economic returns increased, and the financial situation was remarkably improved.

We strengthened friendly ties with foreign countries and achieved a fairly big progress in economic and technological exchanges with other countries. In 1984, the province's total volume of procurement of commodities for export increased 62.8 percent over 1979. The amount of money involved in contracts of using foreign capital and importing technology was 1.6 times that of the total sum of the past 5 years. We established cooperative ties with 24 provinces, cities, and autonomous regions of China. The total amount of commodities imported and exported through cooperation was five times that of the total sum of the past 5 years.

The livelihood of the people continued to improve. According to a sample survey, the average per-capita income of the peasant families in 1984 reached 477 yuan, a 100 percent increase over 1979. Since 1979, we have provided jobs for more than 3.6 million jobless persons. The average per-capita income for

living expenses of the urban workers and staff in 1984 reached 586 yuan, an increase of more than 70 percent over 1979. The market supplies were improving along with the development of the industrial and agricultural production. Since 1980, some 30 million square meters of residential housing were completed and the housing conditions improved.

We saw a rapid development in education, science, and technology as well as in other undertakings. In 1984, compared to 1979, the total number of students of regular higher education schools increased 36.2 percent, and that of secondary specialized schools 46.7 percent. The unitary structure of secondary education is changing. The scientific research departments throughout the province succeeded in some 10,000 scientific and technological research findings between 1979 and 1984, of which 139 attained the international level of 49 won state invention awards.

We also made new progress in the public health, sports, environmental protection, and family planning sectors which played an active role in improving the health of the quality of the people. The sports sector scored prominent achievements. In the past 5 years, we won 95 championships in international competitions, doing credit to the country.

We continued to deeply develop socialist ethics activities and the activities to build spiritual civilization through the concerted efforts of the army and the people--activities centered on communist ideological education. The various departments including literary and art, publication, press, radio, and television, vigorously publicized the party's line, principles, and policies, and achieved good results in enriching the spiritual lives of the people. A good habit of studying culture and technology and paying attention to morality and discipline is taking shape gradually among the broad masses of people.

Socialist democracy and the building of the legal system were further strengthened. The province restored and established the system of upholding the people's congresses at all levels and carried out direct elections of deputies at and below the county level. We also restored and improved the CPPCC organizations and organs, struggled against serious criminal offences and economic criminal activities, and achieved marked improvements in social public security.

We also further strengthened the building of the party. We made a big stride forward in making the leading bodies at all levels more revolutionary, younger, better educated, and more professionally competent and scored great achievements in building the third echelon. More than 300,000 cadres in the province furthered their studies in colleges and universities, and through radio, part-time, and correspondence universities. We recruited nearly 280,000 new party members, of whom 67,000 were specialized technical personnel. We also improved the knowledge and age structures of the party member ranks. The provincial-level and city-level organs scored positive achievements in party rectification. The discipline inspection work was strengthened, playing an active role in correcting party style, and ensuring economic construction. The mass organizations such as the trade unions, the CYL committees, and the women's federation as well as the militia organizations markedly improved their work and made due contributions to reform and the four modernizations.

All this was a result of the conscientious implementation of the line, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, the hard work and the united struggle of the party committees at various levels and the masses of party members, cadres, and people of various nationalities throughout the province under the leadership of the CPC Central Committee, and also a result of the great support extended by the PLA units stationed in Liaoning. In particular, in the historical situation in which new cadres are replacing the old, veteran comrades showed great foresight, selected and appointed the people with virtue and ability, worked unremittingly, and made historical contributions to developing the excellent situation of Liaoning. Party members, cadres, and the people throughout the province will never forget this.

However, comparing with the requirements of the CPC Central Committee and advanced provinces and municipalities, our work still lagged far behind. This was because we lacked fully emancipated minds and a spirit of creating the new bravely and of pioneering to make advancement when carrying out reform, opening to the outside world, and enlivening the domestic economy. There was still a phenomenon of flabbiness and slackness and lax discipline in organization and leadership. Leading persons were bureaucratic in workstyle, and did a poor job in learning about the new situations in the realities of life, and in solving new problems. As a result, they lacked the ability to grasp major contradictions and give different guidance accordingly, and a vivid and lively workstyle in handling their work. In the party's organizational building and ideological and political work, they failed to meet totally the needs of the new historical period. Though summing up both positive and negative experiences earnestly, we enhanced our understanding of some issues. The major ones are as follows:

1) Adhering to the principle of seeking truth from facts and implementing the principles and policies of the central authorities in a creative manner are prerequisites for creating a new situation in Liaoning's socialist modernization. The CPC Central Committee has called for building socialism characteristically Chinese. The key for Liaoning to put this strategic ideology into practice is to emancipate the mind, seek truth from facts, and combine the principles and policies of the central authorities with our specific local practice. During the past few years, we conducted repeated and thorough investigations and study on the conditions of the province while studying the "Marxist theory of reproduction," the "Selected Works of Deng Xiaoping," the "Selected Works of Chen Yun" and central documents, came to understand and mastered gradually the characteristics of Liaoning's conditions, and formulated some policy measure fairly compatible with Liaoning's situations while carrying out readjustment and restructuring. In this way, we alleviated to a considerable extent our financial difficulty, energy shortage, grain insufficiency, the problem of a large number of jobless youths and the imbalance between "bone and flesh" in municipal construction, which were our major difficulties left by the "Great Cultural Revolution," and which plagued us for a long time. Some of these difficulties were basically resolved, thus consolidating and strengthening the political situation of stability and unity. As has been proved in practice, in seeking truth from facts, we should take the basic theory of Marxism-Leninism-Mao Zedong Thought as a guide, maintain a high degree of unity the CPC Central Committee in ideology and politics, and proceed from reality in doing our work. We should neither mechanically

copy the stipulations and regulations of the higher authorities, nor rigidly adhere to our own narrow experiences. Instead, we should reach conclusions through scientific analysis of our practical life, emancipate our minds, explore bravely, and answer and solve the practical problems of Liaoning. In doing so, we will be able to pioneer the way of advancement, and promote our undertakings. If, on the contrary, we fail to thoroughly understand the principles and policies of the central authorities and know the actual situation, and are overcautious in our thinking, we cannot possibly create a new situation in our work.

2) The fundamental tasks of socialism is to develop social productive forces, eliminate poverty, and achieve common prosperity. The basic tasks of the economic structural reform is to establish a socialist economic system with Chinese characteristics and promote the development of productive forces. The main criterion to examine whether we have our success or failure in reform is to see whether the reform is conducive to the development of social productive forces. In the course of reforming the economic structure, we promoted the practice of making some localities and some people become prosperous ahead of others, and such practice gave an impetus to developing the social productive forces. However, we should clarify that enabling a number of localities and people to become prosperous ahead of others does not mean fortune to be sought for a small number of people. We want them to take the lead in guiding all people to achieve common prosperity. Several years of experiences have shown that in developing social productive forces, we must persist in focusing all spheres of work on the four modernizations. The guiding ideology of the professional work of all localities and departments should serve and be submitted to the party's general tasks and objective. This is the sole correct criterion to judge whether the directions of all spheres of work are correct. Any theory and practice which deviates from this basic demand is wrong. We should correct some ways of doing things such as neglecting the whole situation, stressing partial interests, deviating from the central tasks, and paying attention only to departmental work. We should strive to enable the correct guiding ideology of professional work to integrate into the work of the various localities and departments, and continue to enhance our initiative, consciousness, and creativity. Higher and lower levels as well as all quarters should carry out the four modernizations with one mind and one heart.

3) The socialist economy is a planned commodity economy based on public ownership. We should consciously apply the law of value to promote economic development. Several years of practice have proved that in developing the planned commodity economy, we must break with the traditional idea of the product economy, change the systems and methods which obstruct the development of the commodity economy, and change the old practice of merely using administrative orders to manage the economy into one which mainly uses the economic means to manage the economy. Our province has many large and medium-sized state enterprises. A large proportion of enterprises are implementing the mandatory plans and the idea of the product economy has deeply affected them. Therefore, the task of comprehensively reforming the rigid old practice and establishing a lively and invigorating economic structure is very arduous. We must foster a conviction of being brave in carrying out all tasks that are beneficial to the development of the social productive forces, and the building of socialism

with Chinese characteristics. We should be firm in fulfilling these tasks despite setbacks. It is most important to know how to sum up experiences and lessons, to conscientiously conduct investigations and analysis in accordance with the stipulated reform objective of the central authorities, to persist in what is right, and to correct what is wrong. In reform, we should overcome the corrupt practice of the closed-door policy of creating barriers between departments and regions, between the urban and the rural areas, and among departments, implement the policy of opening to the outside world and invigorating the domestic economy, and establish an open and network-like economic structure. This is of great significance to Liaoning Province. While vigorously developing the planned commodity economy and the work of opening to the outside world and invigorating the domestic economy, we should also deal strict blows to serious criminal activities in the economic and cultural spheres which harm socialism and persist in grasping this work firmly, in order to guarantee the smooth progress in reform.

4) The socialist spiritual civilization is an important characteristic of socialism. We should always attach importance to the building of the spiritual civilization in order to maintain a correct orientation of development of the material civilization. We should strive to successfully carry out economic construction, which is the center of our work. However, it is wrong to neglect socialist spiritual civilization, thinking that with developed material production, all problems will be solved. Practice of the past 5 years tells us that building the socialist spiritual civilization is all the more necessary in the new historical period, and the ideological and political work should be strengthened instead of weakened. The more we enliven the economy and open to the outside world, the more we should educate the people to become disciplined persons with ideals, morality, and education. Any tendency of getting rid of and weakening the ideological and political work will easily make the building of the material civilization deviate from the correct track, and will allow the emergence of all sorts of evil trends, which will confuse the people's minds. We are in a great time of construction and pioneering. The pioneering in practice calls for the creation of the new in theory. However, all creation of the new and all reforms should be carried out by upholding the four basic principles, following the guidance of the communist ideas, and adhering to communist ideals and goals. Following the development of the era, the people's ideas and concepts are changing, so is their style of living and thinking. Therefore, some traditional methods of the ideological and political work which are not compatible with the needs of the new period should also be changed. We should correctly understand and handle the major questions of ideology and understanding which have a bearing on economic and social development, and carry out the ideological and political work in close coordination with economic work and the work in other fields. Provided we persistently act in this way, we will be able to arouse the people's spirit of making progress vigorously, uniting to advance and dedicating to the four modernizations, and ensure the fulfillment of various tasks.

5) As a key force leading socialist modernization, the party should improve and strengthen its leadership. Socialist modernization is an undertaking of the masses, an extremely complicated systems engineering, and therefore should be carried out by pooling the efforts and wisdom of all quarters. For this reason,

the party's political and ideological leadership should be strengthened in order to guarantee the fulfillment of its principles and policies. However, party committees should not take over everything, but should separate the party and the government work, strengthen the system of command over administration and production, and give play to the role of various mass organizations. Governments should perform their functions correctly, separate their functions and responsibility with those of enterprises, and give enterprises full decision-making power in production and operation. While enforcing the system of having directors (managers) assume full responsibility, party committees should emphatically play their leading role in the ideological and political fields, guarantee and supervise the fulfillment of party principles and policies, and support directors (managers) to exercise their power of giving unified command over production and operation. Practice proves that in strengthening party leadership, we should uphold democratic centralism, frequently conduct criticism and self-criticism, and increase the party's combat strength. While greatly developing the socialist commodity economy, in particular, we should never apply the principle of commodity exchanges in the inner-party political life, but should maintain high vigilance against and resolutely resist the corrosive influence of corrupt bourgeois ideas. Our struggle against unhealthy trends will be a protracted one. We should have a full estimation of this. We should persistently carry out education on party spirit, party style, and party discipline, correctly wage struggles within the party, strictly enforce party discipline, and continuously overcome the phenomenon of flabbiness and lax discipline so that we can ensure the smooth progress of reform and economic construction.

Comrades, we have more confidence when we review the past and we will shoulder heavy responsibilities when we look into the future. At present, we are facing the challenge of the world's new technological revolution. The rural reform is embarking on a new stage and the reform of the urban economic structure as well as the reforms in the educational, scientific, and technological spheres are being carried out step-by-step. The Liaodong Peninsula will be opened to the outside world very soon. Interprovincial cooperation and association are being developed and expanded every day. The new situation has set higher demands on us and has provided good opportunities for our economic and social development. We should give consideration to the whole country and deep in view the situation of Liaoning Province. We should also take the initiative in undertaking the glorious task entrusted to us by history. In order to realize the general tasks and objective of the 12th CPC National Congress, we should strive to prefulfill the task of quadrupling the province's total industrial and agricultural output value by the end of this century, and enable the income and livelihood of the urban and rural people to become comparatively well-off ahead of schedule. The convening of this congress is aimed at mobilizing the broad masses of party members and the masses throughout the province to work hard for the prosperity of the country under the leadership of the CPC Central Committee, to invigorate the economy of Liaoning, to serve the whole country, and to advance toward the world. We should attend to the various structural reforms, do a good job in opening Liaodong Peninsula to the outside world, and struggle to comprehensively fulfill the Seventh 5-Year Plan, and to turn Liaoning Province into a civilized, prosperous, open, and modern industrial base with the stress centered on heavy industry and with simultaneous attention paid to industry and agriculture.

2. We Should Persist in Reform, Accelerate Transformation, Do a Good Job in Opening to the Outside World, and Invigorate the Old Bases.

Our province is one of the earliest industrial bases of China. To realize the general tasks and objective of the 12th CPC National Congress, we should transform and invigorate the old bases so that they can be vitalized and can make due contributions to the socialist modernization construction. We made a gratifying step in the past 5 years. The major targets defined in the Sixth 5-Year Plan had been fulfilled or overfulfilled ahead of schedule by the end of 1984. Through this year's efforts, we will be able to greet the construction of China during the Seventh 5-Year Plan period.

The next 5 years will be a key period for the province's economic and social development. The CPC Committees at all levels should further change the guiding ideology of their economic work, and change the habitual product economic ideology into a planned commodity economy. We should pay attention to commodity competitions and market regulation, change the closed economic structure into an open one, develop domestic and foreign economic and technological exchange and cooperation, change the backward traditional industry into one with new technology, and vigorously carry out technical transformation among enterprises. All economic work should be further shifted to the path of raising economic results. We should firmly foster the idea of input and output and strengthen economic accounting. By doing so, we can further bring the economic relations into a better balance and create a new situation in our province's economic and social development in a better manner.

In line with the aforementioned demands, the provincial economic and social development targets by 1990 should be: Under the premise of continuously improving the economic results, the province's total industrial and agricultural output value and the total value of national production should double that of 1980 ahead of schedule.

The comprehensive economic results should increase along with the total industrial and agricultural output value and the total value of national production. The financial revenue should increase by a large margin and the financial situation should improve fundamentally.

The production technology of the major trades and professions as well as the key enterprises which have undergone transformation should attain the level of the advanced countries of the late 1970's and the early 1980's. The level of some advantages of scientific and technological spheres and the technological level of some key enterprises with favorable conditions should catch up with the international level of the period. We should also prepare more reserve strength for invigorating the economy for the next 10 years.

The economic income of the people should be increased by a large margin and their cultural and material lives should be markedly improved.

To invigorate Liaoning, we should first concentrate efforts on opening the economic areas in Liaodong Peninsula, which takes the port cities such as Dalian as a window, and groups of cities in the central part of the province

such as Shenyang as the hinterland. Second, we should use the developed economic areas in the Liaodong Peninsula to stimulate the economic development in the western part of the province so that they will form an organic whole to promote the province's economic development.

During this period, we should focus our economic construction on agriculture, energy and communications, science and education, and technical transformation of outdated enterprises, and follow the path of "reform, opening to the outside world, transformation, and development." The major measures should be:

1) We should vigorously and reliably carry out the reform of the economic structure in all fields with a focus on the reform of the urban economy. One of the most important guarantees for realizing the general tasks and objectives of the 12th CPC Congress is to comprehensively and systematically carry out the reform of the economic structure in all fields with a focus on the reform of the urban economy. We should conscientiously study and correctly understand the "decision of the CPC Central Committee on the reform of the economic structure," further emancipate our minds, unify our thinking, be brave in exploration and in blazing new trails, be keen to reform, and gradually establish a vigorous and lively socialist economic system with Chinese characteristics.

Our province has many large and medium-sized cities. Therefore, the focus of our province's economic structural reform should be on fully displaying the role of key cities and promoting the development of the commodity economy. We should continue to comprehensively carry out an experimental structural reform in Shenyang, Dalian, and Dandong cities in line with the principle of simplifying administration, decentralizing power, opening the door wide, and invigorating enterprises, promote the province's urban reform, enable large and medium-sized cities to gradually become open, multifunctional, socialized, and modern economic centers, expand their radiation scope, and enhance their attraction in order to stimulate the province's economic development.

The central link of the urban economic structural reform is to strengthen the vitality of enterprises. We should further break with the management system of creating barriers between departments and regions, expand the decisionmaking power of state enterprises in their management, attend to reform of enterprises, strengthen their lateral economic ties, and enable them to become enterprises which adopt an independent accounting system and can be responsible for their profits and losses, and have decisionmaking power in management and capabilities to develop and transform through self-efforts. We should also appropriately reform the various systems of the economic regulatory departments including the planning, price, labor, wage, finance, taxation, materials, commerce, foreign trade, and banking units, in the course of invigorating enterprises. Such work should be coordinated under an overall plan. We should also simplify administration, decentralize power, separate government functions from enterprise management, further improve and strengthen the government functions in managing the economy, use more economic levers to guide enterprises and more economic laws and regulations to manage enterprises, use fewer administrative means to interfere with the business of enterprises, and better serve enterprises. Meanwhile, we should replenish the all-purpose economic departments and the economic supervisory departments and strengthen planning, control, and management of the macroeconomy.

We should further adhere to the principle of relying mainly on the state economic units while simultaneously developing diversified undertakings, further ease policy restrictions, fully display our province's having favorable conditions for a solid industrial foundation and more large and medium-sized enterprises, use large enterprises to stimulate small ones, cities to stimulate townships, and state-enterprises to stimulate collective units, and promote the development of the urban and rural collective economy. The urban and rural collective enterprises should correctly handle the relationships between accumulation and consumption. They should also collect funds through various forms to strengthen their capabilities to carry out reproduction on an extended scale.

Reform is complicated work, therefore, it should be carried out vigorously and reliably. We should adhere to the policy of fighting the first battle steadfastly and prudently and ensuring victory in doing our work. That is: We must be firm in implementing the objective and directions of reform, and be prudent in working out methods and taking steps, take one step at a time and look around before taking another, reform one system when we are sure of its success, and carry out experiments when we are not sure. We should correctly handle relations among the state, the collective, and the individuals, and give consideration to the interests of the three parties. As for the problems cropping up in reform, we should analyze them conscientiously, help in correcting them, give guidance through education, and safeguard the enthusiasm of the cadres and the masses. Those who take advantage of reform by discrediting or even undermining reform should be resolutely investigated and handled.

2) We should continue to carry out the rural economic reform and vigorously develop the rural commodity production. As a heavy industrial base of China, Liaoning must have a developed and modern agriculture, and facilitate a coordinated development in agriculture and industry. We should comprehensively implement the spirit of the 1985 document No 1 of the CPC Central Committee, and continue to deepen the reform of the rural economic structure. We should adhere to the principle of comprehensively developing agriculture, forestry, animal husbandry, sideline occupations, fisheries, industry, commerce, building industry, transportation, and service trades. While further developing the rural economic relations into better balanced ones, we should make the measures suit local conditions, promote our strong points and avoid shortcomings, attend to the planning work, and boldly readjust the rural industrial structure in accordance with local natural resources and social economic conditions. We should accelerate progress in agricultural technology, vigorously develop the advantage of industries in various localities, and enable the rural economy to become more and more specialized, commercialized, and modernized. The coastal areas, urban suburban areas, and localities with favorable conditions should gradually establish an economic structure which integrates trading, industry, and agriculture. We should pay attention to grain production, attend to grain conversion while ensuring a steady increase in grain output, and direct our attention toward grasping the breeding and processing industries and an coordinated chain in sales. We should pay attention to protecting ecological resources and beneficial results.

We should further attend to the succeeding work of instituting the family-based, output-related contract responsibility system, vigorously develop specialized households and associations based on the principle of public ownership of land and common prosperity, and continue to develop and improve the rural cooperative economy. It is necessary to educate and guide the broad masses of

peasants to advance along the road of common prosperity, and to support and help the poverty-stricken areas and households. Continued efforts should be made to solve the problems cropping up in the course of rural reform, to attend to the experiments in reforming the comprehensive structures of Haicheng City and Xinbin, Faku, and Lingyuan Counties, and to sum up and popularize their experiences.

We should further promote integration of the urban and rural areas and establish a new relationship between them. The higher and the lower levels throughout the province should support and develop village-run enterprises, grasp this work as a major measure, vigorously circulate the products of urban enterprises, strengthen urban and rural cooperation and associations, and enable village-run enterprises to develop greatly. We should also further reform the structure of the supply and marketing cooperatives, reform the urban commercial organs which cater their work to the needs of the rural areas, expand the urban and rural circulation channels, realistically solve the problems of peasants which make it hard for them to do business, attend to building cities and towns, establish closer ties between the urban and rural areas, and invigorate the rural markets.

3) We should persist in opening to the outside world and expanding domestic coordination. Opening to the outside world is the road we must follow in order to make China's economy, science, and technology catch up with the surpass the world's advanced level. [Sentence as received] We should take advantage of the province's coastal position, open its door wide, broaden our field of vision, be bold and careful in importing technology and using foreign capital, use other's strong points to make up for our shortcomings, and promote our province's economic development. We should strive to open the economic areas in Liaodong Peninsula to the outside world at an early date and enable them to become foreign economic and technological exchange bases of Liaoning as well as of the entire Northeast China, and make our contributions to importing, digesting, and disseminating the world's advanced technology and to transforming the traditional industry.

The focus of opening to the outside world should be on importing foreign advanced technology. However, there should be both imports and exports. We should pay great attention to creating foreign exchange, formulate policies to encourage exports, vigorously develop the production of export goods, enhance our ability to create foreign exchange, use imports to stimulate exports, and exports to guarantee imports, and strive to achieve a marked increase in foreign trade.

While opening the province to the outside world, strenuous efforts should be made to develop interregional coordination in the country and the province, attend to scientific and technological exchange as well as commodity exchange, the effective use of funds, and economic cooperation, and enable these sectors to support and promote each other and to achieve mutual benefits and common development.

4) We should speed up technological transformation and stimulate technological progress. The technology, equipment, and production techniques of most

provincial industrial and communications enterprises are at the international level of the 1950's and 1960's. Whether or not we can rely on technological progress and adopt advanced technology is a strategic problem affecting the reserve strength for Liaoning's economy and the rise and decline of the old bases. We should exert strenuous efforts to transform the traditional industries and the technology of outdated enterprises, focus our attention on developing traditional trades and professions under favorable conditions, large and medium-sized key enterprises as well as brand names, quality native products, and new products, and adopt special measures to fulfill the tasks of transforming the existing major enterprises during the Seventh 5-Year Plan period. The reform period of the heavy industry and large enterprises should be longer and the technology for transformation should be more advanced. Technological transformation should be conducive to reorganization and amalgamation, and should integrate with technological imports, production of imitations and new products, improvements in the operational and managerial levels, technological development, and readjustment of the industrial structure. In the course of reform, we should pay attention to applying war industrial technology to enterprises producing products for civilian use, vigorously develop new and rising industries and technology, and enable our provincial industry to have a new technical foundation step-by-step.

5) We should strengthen key construction in the energy, water resources, communications, and telecommunications spheres, and strengthen the reserve strength for developing Liaoning's economy. In solving the energy problems, we should attach simultaneous attention to developing and conserving energy, developing the existing energy and exploring new energy resources, and producing energy domestically and importing energy from other provinces. We should combine state investment with local collective funds, and adopt the method of encouraging large, medium-sized, and small enterprises to engage in energy business. While grasping the construction of key energy projects, including petroleum, coal, and electric power, we should encourage counties, townships, and villages to operate power units and mines with collective funds. In the course of developing energy resources, we should attend to developing and popularizing energy conservation techniques, do a good job in saving energy, and further ease the province's strained situation in power supply. As for water resources, we should explore more water resources and conserve water, accelerate the construction of key reservoirs, strengthen the tackling of river pollution problems, and purify and recycle industrial polluted water. In communications and transport, we should focus our attention on railroad technical transformation and highway construction, speed up transformation of outdated ports and construction of new ports, develop ocean transport, transform and build airports, and form a mutually coordinated and comprehensive transport system in railway, highway, navigation, and airway transport. We should also speed up the transformation and construction of telecommunications facilities in large and medium-sized cities, and form a crisscross telecommunications network.

6) We should invigorate commodity circulation and develop the tertiary industry. Vigorously developing the tertiary industry, raising the proportion of the tertiary industry in the national economy, and enabling them to better serve the primary and secondary industries and the livelihood of the people constitute an important component for invigorating the economy of Liaoning

Province. We should not simply run the tertiary industry as welfare undertakings. We should readjust policies and ease policy restrictions and invigorate the tertiary industry and enterprises. We should further implement an open circulation system with more channels and fewer links to cope with the trend of development of the people who need diversified and expensive consumer goods, establish and develop various trading centers, increase the number of commercial retail networks, and expand commodity circulation. The state commercial units should play a part in market regulation and stabilizing commodity prices. The state, the collectives, and the individuals, should join hands with cities and villages in supporting peasants to work in factories and to engage in commerce, labor service, and other kinds of service industries in the city. In the future, our focus in developing the tertiary industry will be placed on improving and developing the traditional service industries. With the development of the economic construction and improvement in the livelihood of the people, we should vigorously develop and establish various forms of systems to serve production and the people's livelihood, and expand the banking, consulting, information, and tourist service spheres to cope with the modern economic activities.

7) We should strengthen the building of urban basic facilities and continue to improve the city outlook. Transforming old cities and establishing new cities are the urgent tasks confronting us. We should attend to urban construction planning to meet the demand of displaying the various functions of cities, and strengthen transformation and construction of the basic facilities of cities, particularly Shenyang and Dalian. Efforts should also be made to strengthen the construction of residential housing, and tap water, gas, public utility, communications, and environmental protection facilities, do a good job in handling and comprehensively utilizing the three industrial wastes, and improve urban environment. Urban construction should be included in the national economic and social development plan, ensure a proper proportion between urban construction and other construction, gradually improve urban basic facilities, and provide more favorable conditions for opening the province to the outside world and invigorating the domestic economy.

3. We should Speed Up Intellectual Development, Strive to Build Socialist Spiritual Civilization

While building a high degree of material civilization, we must strive to build a high degree of spiritual civilization. This is a strategic issue affecting the rise and decline of socialism.

1) We should intensify the party's ideological and political work in the new period. Ideological and political work is our party's constant and powerful weapon for mobilizing, organizing, and educating the masses to fulfill the various tasks. Under the situation of opening to the outside world and invigorating the economy, it is all the more necessary to strengthen ideological and political work among party members and youths, to resist the decadent and corrosive capitalist influence, and to ensure a socialist direction for economic work and other spheres of work, and the implementation of the party's line, principles, and policies. We should correctly understand dialectical relationship between the spiritual and material civilizations, guard against

and overcome the erroneous trend of neglecting ideological and political work. We should also persist in carrying out ideological and political work to serve the realization of the party's general tasks and objective, implement the guiding principle which integrates economic construction with the practice of various reforms, be good at finding typical cases concerning ideological and political work in economic activities, the implementation of the existing policies, and the livelihood of the people, carry out our work creatively, discard the formalist way of doing things which deviates from the reality, enable the party's ideological and political work to have a clear-cut party spirit, ideology, purpose, strong attraction, convincing power, and influence, and continue to achieve plentiful spiritual achievements.

We should deeply conduct ideological education on patriotism and communism. The broad masses of party members, cadres, and the masses should firmly foster the lofty ideals of struggle throughout their lives to realize the socialist four modernizations and communism, foster a sense of being masters of the state, adopt a communist labor attitude, and foster a revolutionary spirit of vigorously forging ahead for the prosperity of China.

We should vigorously carry out the socialist ethics activities and promote a deeper and more extensive development in the building of the spiritual civilization. We should also launch activities on building civilized villages, units, and families and urge the army and the people to work together to build spiritual civilization. All trades and professions should strengthen the responsibility systems and education on professional ethics and discipline, advocate civilized production, business operations, and services, and a civilized, healthy, and scientific way of life, promote our nation's inherent traditional practice of paying attention to rites, respecting the old and cherishing the young, working hard and practicing economy, and achieve a fundamental turn for the better in the party style and social habits.

2) We should respect knowledge and talented persons, and vigorously develop educational, scientific, and technological undertakings. Whether we can vitalize the economy and can have reserve strength depends on whether we can greatly develop science, technology and education, and whether we can smoothly solve the problems of talented persons. Therefore, in invigorating Liaoning, first of all, we must invigorate Liaoning's intellectual development undertakings and strive to do a good job in educational, scientific, and technological work. The CPC committees at all levels should grasp educational work with the same efforts as they grasp economic work. We should conscientiously study and implement the decision of the CPC Central Committee on reforming the educational structure, readjust the educational structure, and reform the management system. The fundamental purpose of the educational structural reform is to foster more competent personnel. We should increase investment in educational undertakings year after year, pay attention to pre-school education, strengthen basic education, popularize the system of 9-year compulsory education in a step-by-step manner, operate schools through various channels, pay simultaneous attention to vocational technical education and regular education as well as the school education and after-school education, and enable all levels and all kinds of education to cater to the various needs of developing socialist undertakings. We should forecast the demands for talented persons

in line with the principle of catering the work to the needs of modernization, the world and the future, and in accordance with our province's actual situation, and formulate plans for training talented personnel. The existing provincial and city higher educational schools should fully tap potential, increase the number of specialized courses which are badly needed, and expand student enrollment. We should make full use of the great number of teachers, favorable conditions and facilities of the state universities to operate schools through collective efforts, vigorously develop political, cultural, and technical education for workers and peasants, and do a better job in all kinds of schools including radio, television, correspondence, and part-time universities. We should realistically strengthen high-level and secondary level teacher-training education, and vigorously foster and develop a good habit of respecting teachers and paying attention to education.

We should conscientiously implement the decision of the CPC Central Committee on the reform of the scientific and technological structures, proceed from the province's reality, firmly carry out reform of the scientific and technological structures in a step-by-step manner, yield more results and foster more talented persons, and enable the structures of science and technology to gradually cope with the planned commodity economy. Scientific and technological findings are commodities which can create value when applied and integrated with production. Therefore, we should exert strenuous efforts to open up technological markets, sell scientific and technological achievements as commodities in markets, sell scientific and technological achievements as commodities in markets, and strive to establish crisscross technical trading and service networks in the province's urban and rural areas within a short period of time. Scientific research units are units which engage in mainly research and application of research findings. They should make contracts with their own researchers for their research subjects and transfer their research findings to users who must pay for the utilization, reform the system of allocating funds, and gradually achieve economic independence. We should strive to do a good job in conducting cooperation and coordination among research and designing organs, higher educational schools, and enterprises, and should apply scientific research findings to the production spheres. We should pay attention to the major and key problems in the province's economic and social development, and organize the scientific and technical forces of scientific research units, colleges and universities, plants, and mining enterprises to digest and absorb the imported technology, to create new things and to carry out joint research projects. We should pay close attention to the world's new technological revolutionary trend and strengthen research and development of new and rising technology.

3) We should invigorate literature and arts and develop public health and sports undertakings. We should improve and strengthen the party's leadership over literary and artistic work in line with the law of development in literature and arts, and steadily promote the structural reform in the literary and artistic field. We should continue to emancipate thinking, ensure freedom in creation, strengthen literary and artistic critiques, improve the quality of literary and artistic products, and promote great prosperity in the literary and artistic field. It is necessary to strengthen management over the cultural markets, launch all kinds of healthy and good mass cultural and recreational

activities in the urban and rural areas, strictly prevent obscene videotapes and publications with a preposterous content from disrupting the cultural markets. We should strengthen publication of books, attend to press and broadcasting undertakings, and pay attention to the work of protecting cultural relics. We should attach importance to reforming the management system in public health work, develop various forms of medical clinics, pay attention to improving rural medical conditions, develop traditional Chinese medical science and Chinese medicines, and strive to explore the medical treasures of the motherland. We should strengthen family planning work, control the natural population growth, and improve the population's quality. Efforts should be made to rationally readjust the distribution of sports items, strengthen the building of the ranks of athletes and coaches and sports facilities, turn our province into one of the country's important sports bases within a short period of time, and strive to advance our province's sports work.

4) We should continue to implement the party's policy on intellectuals. We should fully trust intellectuals politically, boldly use them, and show concern for their livelihood. We should boldly promote a number of young and middle-aged intellectuals who are better educated and have specialized knowledge and vitality to important posts to assume educational, academic, and technological work, select and organize intellectuals with leadership abilities and a pioneering spirit to undertake leading posts at all levels. We should organize a rational flow of talented persons, improve the situation of stockpiling and wasting talented persons, guarantee freedom of exploring and discussing academic subjects, and better display the wisdom and talents of the people. It is necessary to strengthen the work of training the existing intellectuals and improving their professional skills. Colleges and universities as well as scientific research units should continue to update the knowledge of intellectuals through various forms of activities and enable them to better serve the four modernizations.

4. We Should Further Strengthen the Building of Socialist Democracy and the Legal System

The development of socialist democracy guarantees and supports the building of the socialist material and spiritual civilizations. Building a high degree of socialist democracy is our fundamental objective as well as one of our fundamental tasks. We should closely integrate the building of socialist democracy with that of the socialist legal system, and enable socialist democracy to become a system and a law. The CPC Committees at all levels should consider these two as a fundamental task, place them in an important position, and carry them out along with the building of the socialist material and spiritual civilizations.

1) We should develop socialist democracy and strengthen the work and building of the local People's Congresses and the Standing Committees of the People's Congresses at all levels. It is necessary to pay attention to and strengthen the building of the People's Congress Standing Committees, support the People's Congresses to exercise their functions and powers in accordance with the law, attend to the building of the socialist democracy and the legal system, and gradually change the old practice of mainly relying on policies into one which relies both on policies and a perfect legal system. Continued efforts should

be made to consolidate and develop the achievements in rectifying the grassroots political power, intensify the building of political power, gradually spread socialist democracy to the political, economic, and cultural spheres as well as to social life, develop democratic management among the various enterprises and establishments, and autonomy in the social life of the masses at the grassroots level, and guarantee the masses of people to fully exercise their power as masters of the state through various forms of activities.

2) We should strengthen the construction of the legal system in order to suit the economic development. In order to ensure the implementation of the regulations in the law stipulated by the state, we should enhance local legislation work, and in particular, the economic legislation work; and set up and perfect legal organs in service of the economic work. Notary organs should enthusiastically conduct the economic contract business, and offer legal service to help promote the work of opening to the outside world and enlivening the domestic economy. We should enhance the propaganda and education on socialist democracy and the legal system. Primary and middle schools and universities should generally open courses on the legal system. Efforts must be made to popularize the basic general knowledge of the law among the whole party and all people and to make the broad masses of party members and the people know, understand, and abide by the law.

3) We should persistently and unswervingly deal blows to serious criminal offenders and serious economic criminal activities in order to safeguard a smooth progress of the four modernizations. A major contradiction between the increasingly material and cultural demands of the people and the social productive forces must be eliminated at present. However, the class struggle will continuously exist for a long period of time within certain limits of our society. Therefore, we must effectively exercise dictatorship towards the minor hostile elements in order to consolidate and develop the political situation in which unity and stability go hand in hand. We must continue to strictly deal blows to serious criminal activities and seriously and rapidly punish, in accordance with the law, serious criminal offenders who jeopardize public security and the people's safety. This is a long term principle which we must never ignore. Simultaneously we must mobilize the forces of the whole society to comprehensively tackle problems, emphasize on keeping a lookout, transform the work, and to improve the administrative management of public order. We must strive to realize a marked turn for the better in the social practices of large and medium-sized cities this year and in the coming year, and to realize a fundamental turn for the better in the social practices of the whole province as soon as possible. We should continue to deal blows to serious criminal activities in the economic field in order to protect the legal rights of the state, the collectives, and the individuals. We should strengthen the struggle on the concealed front in order to ensure the safety of the party and the state.

4) We should handle affairs strictly in accordance with the law and strengthen the supervision over legal work. Organs of state power should have a guarantee for strengthening supervision over the work and the law. Administrative organs, mass organizations, and economic and cultural organizations should have the guarantee to actively, independently, and responsibly conduct the work in

accordance with relevant regulations in the law. Public security, procuratorial, and judiciary departments should be loyal to their duties, accept the supervision by the People Congresses at all levels and the masses of the people, and strive to strictly enforce the law and to call to account those who violate the law. We should strengthen the construction of the ranks of public security workers and upgrade the ideological and political quality and professional level of the public security workers in order to suit the demands of the socialist legal system.

5. We Should Strengthen the Building of the Party in Order to Ensure a Smooth Progress of the Reforms and the Four Modernizations

The new situation and the new tasks have set higher demands on party leaders. We must strengthen the building of the party and improve the party's leadership. Especially under the new situation in which the old are being replaced by the new and we are carrying out the revolutionary cause and forging ahead into the future, we should make further efforts to upgrade the Marxist theoretical level and the scientific and educational levels of the whole party, inherit and carry forward the party's fine traditions and workstyle, be modest and prudent, work hard, and build the party into a strong leading core with even more mature politics, unified ideology, correct workstyle, consolidated organization, and strict and impartial discipline.

1) We should meet the high standards and the rigorous requirements in comprehensively fulfilling the party rectification tasks. Party rectification is an important step which our party has taken to win a new and great victory in the new historical period as well as a fundamental guarantee for realizing the party's general tasks and objective. According to the requirements of the CPC Central Committee on comprehensively fulfilling party rectification in a period of about 3 years, about 80 percent of the province's party members still have not carried out party rectification. They are many in number and widely distributed, therefore, our tasks are arduous and urgent. We should realistically strengthen leadership, adhere to the guidelines of integrating party rectification with reform, and of serving reform and economic development, make overall plans, proceed from the reality in doing things, give different guidance in the light of different cases, and fulfill the four party rectification achievements in such spheres as ideological education, institution of systems, and organizational building, and should continue to advance the building of the party.

We should realistically strengthen education among party members on ideals, party spirit, party style, and party discipline, and resolutely resist the corrosive influence of the decadent capitalist ideology. The focus of party rectification should be on intensifying party spirit and checking new malpractices. At present, the problems of impurities in the party's ideology and workstyle are still far from being solved. The prominent manifestations are: Some communist party members and party-member leading cadres are not capable of undergoing the course of reform and in opening to the outside world and invigorating the economy. They are low in spirit and lax in discipline. Some have serious individualistic ideas. They fight for positions overtly, seek higher wages, and even abuse their positions and power to seek

interests for the individuals or for a small clique. To this end, we should pay great attention to this, and adopt resolute measures to check them. We should educate the party members to firmly bear in mind the party's purpose of wholeheartedly serving the people and to persist in communist convictions. Communist party members should have a dedicated spirit, play a vanguard and exemplary role, and neglect the principle of the so-called commodity exchange in their inner party political lives. Through party rectification, the entire party should further strengthen the concept of taking the whole situation into account, safeguard the principle on party spirit, consciously observe the party's discipline, and enhance the awareness of party members. We should resolutely investigate and handle the party members who have violated the state laws, eliminate the corrupted factors, and promote a fundamental turn from the better in party style.

2) We should speed up the building of leading bodies to meet the four requirements for cadres. Making the leading bodies more revolutionary, younger, better educated, and more professionally competent is one of the party's great tasks in the new period. We should readjust leading bodies at all levels in line with the four requirements for cadres, and normalize the practice of replacing old cadres with new cadres. The key to building good leading bodies lies in selecting the right persons to the leading bodies. It is necessary to establish the third echelons and to always maintain a sufficient number of persons of good quality and different branches of study in the third echelons in order to unceasingly provide qualified competent personnel for the leading bodies. By no means should we allow the third types of persons to sneak into the leading bodies. Those who have limited ability and serious individualistic ideas, and who attempt and accomplish nothing and pay no attention to the principle of party spirit should also not be entrusted with important tasks. We should attend to training and selecting female cadres, nonparty cadres, and minority cadres. At present, we should select and promote the outstanding young and middle-aged cadres as soon as possible. We should properly arrange for the work and livelihood of the veteran comrades who have retreated from their leading posts. We should continue to display the role of the veteran comrades who can still continue their work through various forms of activities. We should adhere to the principle of basically not changing the political treatment of retired cadres, and enable them to enjoy a prolonged life and to spend the rest of the lives peacefully. Young comrades should respect veteran comrades, and learn from their strong points. Veteran comrades should enthusiastically support the work of young cadres. The veteran and new cadres should support one another, unite with, and cooperate with one another in pioneering new undertakings.

We should regularize the training of cadres on a large scale. All localities should map out plans for the training of cadres, enhance the construction of such training bases as party schools and cadres' institutions, widely mobilize the whole society to run schools, and strive to set up various forms of cadres' educational network in the province within 5 years. By 1990, cadres with the education at or below the junior middle school level must have the education at or above the secondary specialized school and senior high school levels; cadres with the education of secondary specialized school and senior high school levels must reach a university educational level; and cadres with university educational level should further pursue to renew their knowledge. We

should pay special attention to cultivating talented personnel in economic management; bring up a group of cadres in charge of economic management with modern economic and technological knowledge and with ability in creating a new situation; and set up as soon as possible, a mighty contingent of cadres who suit the needs of the four modernizations.

3) We should strengthen the construction of the party's grassroots organizations. The party's grassroots organizations have assumed major missions of leading the broad masses of party members and the people to implement the party's principles and policies and to realize the party's general tasks and goals. We must well readjust and install the leading bodies of the party's grassroots organizations and try every possible means to rapidly change the situation in which cadres are old and their educational and scientific levels are low. We should set up and perfect the organizational forms, the substance of activities, and ways and means of work to suit the development of reforms and the planned commodity economy. Party organizations at all levels should stress on managing and educating party members, perfect a system of inner-party political life, persist in the democratic centralism, make criticism and self-criticism, and strictly strengthen the party's organizational life. We should enthusiastically and prudently develop party members and pay special attention to recruiting party members from qualified intellectuals and, in particular, young and middle-aged intellectuals.

at the same time, we should well conduct the work of recruiting party members from workers on the forefront line, peasants, women, minority people, university and college students, and secondary specialized school students. We should concentrate for several years to greatly improve the educational and specialized educational structure and the age structure of the ranks of party members.

4) We should strengthen the relations between the party and the masses, unite the forces in all fields, and work together with one heart to conduct the four modernizations. The construction of a modern and powerful socialist country is a common ideal and a common cause of the whole party and the people of all nationalities across the country. Party organizations at all levels should establish close ties with the broad masses of the people, further implement various policies, mobilize and organize the forces in all fields, unite with the people that can be united, mobilize all positive elements, and work together with one heart to fight for the realization of this great goal.

We should strengthen the leadership over trade unions, CYL Committees, women federations, federations of social sciences and literary and art circles, writers' associations, federations of returned overseas Chinese, and federations of Taiwan compatriots in order to enable them to fully play a role in mobilizing, organizing, and educating the broad masses of the people to conduct the four modernizations wholeheartedly.

We should resolutely implement the party's principle of "long-term coexistence and mutual supervision" and the principle of "treating each other with all sincerity and sharing weal or woe" to consolidate and develop the broadest patriotic and united front. We should further strengthen the unity and cooperation between democratic parties, nonparty personages, Taiwan compatriots,

compatriots from Hong Kong and Macao, patriotic overseas Chinese, minority people, and personages of religious circles; vigorously support the CPPCC work and the work of democratic parties and the Federation of Industry and Commerce; regularly report the work situation; listen to their opinions and suggestions; carry out their roles into full play; and make greater contributions to the realization of the reunification of the motherland and the four modernizations.

We should further enhance the unity between the army and the government and between the army and the civilians, and carry out into full the roles of the armed forces, armed police forces, and militiamen in safeguarding and constructing the four modernizations.

5) We should actually change leadership style, and improve the leading methods. Adhering to and carrying forward the fine traditional workstyle of the party is a guarantee for implementing the party line, principles, and policies and for promoting the reform and the four modernizations. Under the new situation in which a large number of young and middle-aged cadres are promoted to leading posts, special attention must be paid to the ideological work and the workstyle of leading bodies. We should carry forward the party's fine tradition of integrating theory with practice, maintaining close links with the masses, and conducting criticism and self-criticism. Leading comrades of CPC committees at all levels should always remember to "utter fewer idle words and do more solid jobs," and work for the grassroots units and the masses in a down-to-earth and effective manner. They should not merely pay lip service at their offices, nor perform their duties in a perfunctory manner. They should adhere to the collective leadership, depend on the wisdom of collectives, abide by the democratic centralism, consult with the masses when problems take place, and listen to the masses' criticisms with an open mind. They should oppose subjective assertion and the practice of what one says counts. They should work hard, be brave in overcoming difficulties, be honest in performing official duties, and set an example for cadres. They should not use their powers to seek privileges, be satisfied with the existing state of affairs, and to refuse to make progress. They should constantly check up on work, sum up the work, value their time, stress on efficiency, enforce the responsibility system, cooperate with one another, and be responsible for their work. Should a problem occur, they should dare to bear responsibility for the consequence, conduct self-criticism, and sum up experiences and lessons. They should not discuss something without reaching a decision, refuse to practice what has been decided, dispute over trivial matters, and shirk responsibility onto others. They should dare to tackle hard and difficult cases, persist in healthy practices, and wage resolute struggle against and give proper criticisms and punishments to those who are irresponsible for their work and violate laws and disciplines. They should oppose the practice of stressing on human relationship while neglecting principles. In addition, we should further simplify the administrative procedures, delegate powers to lower levels, streamline organizations, reduce the size of staff, and overcome the defect in which many leading organs are overstaffed.

We should further improve the leading methods in order to suit the needs of the socialist modernization drive. The modernized large-scale production calls

for a new change in the leading method. In the face of new problems emerging in an endless stream, we should be good at applying the Marxist stand, view point, and method to judge the hour and size up the situation, to take the overall situation into account, to weigh the advantages and disadvantages, and to make feasible decisions for the constantly changing affairs after finding out the major reasons for the changes. To attain this aim, we must strive to study the basic theory of Marxism-Leninism and Mao Zedong thought, study the modernized scientific and general knowledge, combine the party's principles and policies with the specific situations of our own localities and departments, and implement the party's principles and policies in a creative manner. We should pay attention to discussing the major affairs, understanding the overall situation, grasping our own profession, making proper policy decisions for the macroscopic affairs, giving proper guidances to the microscopic affairs, and constantly promoting the work. Attention should be paid to giving full play to the advisory and consultative role of intellectual organs. Efforts should be made to overcome the defects in the current leadership system and the system for making policy decisions. We should combine the fine tradition of the party work with the modernized management methods, gradually establish a scientific leadership system which suits the needs of the four modernizations, and strive to raise the leading work to a new level.

Fellow comrades! After this congress, all party members should be mobilized to work hard for the creation of a comprehensive new situation in the campaign of vitalizing Liaoning, serving the whole country, and approaching the world standards. Our tasks are very arduous but glorious. We firmly believe that so long as we conscientiously implement the party line, principles, and policies under the correct leadership of the CPC Central Committee, and so long as we unite and guide the broad masses of cadres and party members and the people of all nationalities across the province to make concerted efforts, our purpose will certainly be attained and a united, prosperous, and civilized Liaoning will certainly fall before our eyes.

CSO: 4006/823

AGGREGATE ECONOMIC DATA

NATIONAL ECONOMIC STATISTICAL DATA

Beijing TONGJI [STATISTICS] in Chinese No 3, 17 Mar 85 pp 45-49

[Text]

1. Industrial and Communications Production January 1985

	<u>Unit</u>	<u>Quantity</u>	<u>January 1985 com- pared to same period previous year (%)</u>
I. Gross value of indus- trial output	100 million yuan	645.7	124.5
Light industry	100 million yuan	335.2	126.4
Heavy industry	100 million yuan	310.5	122.3
II. Output of major products			
Bicycles	10,000	249.30	106.3
Sewing machines	10,000	74.73	88.7
Wristwatches	10,000	319.55	116.3
Television sets	10,000	125.40	200.3
Radios	10,000	147.50	67.2
Household washing machines	10,000	59.56	181.9
Cameras	10,000	11.59	139.5
Electric fans	10,000	204.22	231.6
Household refrigerators	1	6.31	257.6
Chemical fiber	10,000 tons	7.52	134.5
Of this: Synthetic fiber	10,000 tons	5.48	129.9
Yarn	10,000 tons	26.26	105.8
Cloth	100 million meters	10.54	96.9
Silk	10,000 tons	0.32	103.2
Textile products	100 million meters	1.01	129.3

Woolen fabric	10,000 meters	1,699	138.1
Woolen yarn	10,000 tons	0.94	111.9
Sugar	10,000 tons	119.44	132.5
Crude salt	10,000 tons	36.9	115.3
Cigarettes	10,000 boxes	228.9	124.6
Beer	10,000 tons	12.06	137.0
Machine-made paper and cardboard	10,000 tons	67.45	140.1
Synthetic detergent	10,000 tons	8.03	138.9
Light bulbs	100 million	1.24	116.6
Raw coal	10,000 tons	6,889	116.7
Crude oil	10,000 tons	1,021.4	109.4
Natural gas	100 million cu m	11.05	105.8
Power generating capacity	100 million kWh	332.0	110.4
Of this: Hydro- electricity	100 million kWh	58.8	107.3
Pig iron	10,000 tons	351.0	108.0
Steel	10,000 tons	382.2	111.2
Steel products	10,000 tons	301.24	115.5
Coke (organic)	10,000 tons	312.57	105.9
Sulphuric acid	10,000 tons	49.22	74.6
Soda ash	10,000 tons	11.20	67.9
Caustic soda	10,000 tons	18.57	106.8
Ethylene	10,000 tons	6.15	108.5
Synthetic ammonia	10,000 tons	157.98	119.5
Chemical fertilizer	10,000 tons	122.36	109.4
Chemicals	10,000 tons	0.53	125.8
Farm chemicals	10,000 tons	2.00	86.6
Tire casing	10,000	143.47	124.9
Plastics	10,000 tons	10.16	97.1
Timber*	10,000 cu m	349	99.6
Particle board	10,000 cu m	9.62	115.8
Cement	10,000 tons	956.3	122.4
Plate glass	10,000 standard boxes	453.14	127.9
Mining equipment	10,000 tons	2.15	130.8
Power generating equipment	10,000 kW	10.08	237.7
Metal-cutting lathes	10,000	1.12	119.1
Automobiles	10,000	3.26	143.0
Tractors (20 HP and above)	10,000	0.47	114.6
Small tractors	10,000	6.11	139.5
Locomotives	1	68	128.3
Internal combustion engines	10,000 HP	441.3	176.1

III. Communications and transport

Railroad freight volume	100 million tons	1.03	106.5
Freight volume of ships directly under the Ministry of Communications	100 million tons	0.14	109.1

*Timber output includes figures only for the Northeast forestry region and the Nei Mongol forestry region.

2. Fulfillment of Basic Construction January to December 1984 (Units Under the System of State Ownership)

	<u>Unit</u>	<u>Quantity</u>	<u>Comparison between January to December 1984 and same period previous year (%)</u>
I. Gross Investment in			
Capital Construction	100 million yuan	735.57	123.8
Of this:			
1. State investment	100 million yuan	358.02	121.0
2. Self-raised and other investments	100 million yuan	214.14	128.7
In the gross amount of investment:			
Productive construction	100 million yuan	441.10	127.3
Nonproductive construction	100 million yuan	294.47	118.9
Of this: Residential housing	100 million yuan	135.79	108.6
II. Area of Housing Construction:			
Area of entire housing construction	10,000 sq m	27,103.5	107.2
Of this: Residential housing	10,000 sq m	13,680.2	97.6

Area of completion of entire housing con- struction	10,000 sq m	13,235.3	100.2
Of this: Residential housing	10,000 sq m	7,372.9	90.7

III. Large and Medium-Scale Projects
and Single Projects Completed
and in Operation:

Large and medium-scale projects	1	102	112.1
Single projects	1	131	86.2

3. Technological and Economic Targets for Key Enterprises
Involving Major Industrial Products
January to December 1984

<u>Item</u>	<u>Unit</u>	<u>January to December</u>	<u>Increase or decrease compared to same period previous year (%)</u>
Coal:			
Commodity coal ash Refuse rate of	%	20.05	-0.47
commodity coal	%	0.39	-0.02
Comprehensive elec- trical consumption by raw coal	kWh/ton	36.68	0.41
Recovery of fine coal from washing	%	54.37	0.29
Average monthly output of recovery bank	tons/month	2,313.52	-22.94
Crude Oil:			
Water-bearing rate of crude oil transported out of oilfield	%	0.34	0.02
Dissipation rate of crude oil in oilfield	%	2.03	-0.27
Rate of utilization of oil well	%	92.81	0.86
Electricity:			
Complete cycle rate	%	98.24	1.40
Loss rate from power lines	%	8.21	-0.21

Steel:

Grade of fine iron ore	%	62.05	-0.09
Blast furnace utilization coefficient	ton/cu m.day-night	1.649	0.058
Open-hearth utilization coefficient	ton/sq m.day-night	9.67	0.77
Electric furnace utilization coefficient	ton/10,000 volt-ampere. day-night	17.83	0.05
Top-blown converter utilization coefficient	ton/nominal ton. day-night	20.30	2.34

Chemical Industry:

Success rate of polyethylene from high pressure process	%	98.71	0.24
Depletion of phosphate ore by ordinary calcium	kg/ton	3,682	-23
Consumption of ethylene by polyethylene from high pressure process	kg/ton	1,054	0

Construction Materials:

Rate of operation of cement kiln	%	84.29	0.67
First Class product rate of plate glass	%	83.94	1.44
Consumption of soda ash by plate glass	kg/heavyweight box	9.44	-0.47

Machinery:

Reject rate, cast iron	%	7.2	-0.60
Consumption of coke by metallic materials in iron smelting furnace	kg/ton	122.5	-6.5

Textiles:

Quality product rate of viscose fiber	%	99.21	0.55
Quality product rate of Dacron fiber	%	99.41	0.41
Product rate at and above First Class level 1 of cotton yarn	%	98.99	0.28
First Class product rate of cotton cloth in storage	%	95.79	-0.09
Hourly yarn output per thousand spindles	kg	23.26	-0.70
Hourly output per cotton cloth loom	meter	3.70	-0.17

Light Industry:

Comprehensive passing rate for light bulbs	%	93.31	0.25
First Class product rate for fine aluminum pots	%	74.43	3.83
Electricity consumption by newsprint	kWh/ton	528	3
Consumption of pig iron per household sewing machine	kg/set	31.63	-0.34
Consumption of steel products per standard bicycle	kg/bicycle	26.62	0.22

Timber:

First, Second Class product rate of glued wood	%	85.6	-4
First, Second Class product rate of fiber board	%	86.6	-2.8

Railway and Transport:

Average daily output per freight locomotive	10,000 ton.km	74.4	1.4
Rate of perfection of harbor loading and unloading machinery	%	87.0	0.3
Output per ton per ocean liner	ton.nautical mile	23,324	1,590
Output per ton, Chang Jiang barge	ton.km	15,987	-254

4. Commodity Supply in Urban and Rural Retail Markets January 1985

	<u>Unit</u>	<u>Quantity</u>	January 1985 compared to same period previous year (%)
Retail Value of Social Commodities	100 million yuan	334.0	125.1
Of this: Retail value of consumer products	100 million yuan	301.2	123.4

Volume of Sales of Major
Commodities:

Hogs	10,000 head	861.3	68.4
Fresh eggs	10,000 dan	74.0	74.7
Aquatic products	10,000 tons	12.4	66.7
Salt	10,000 tons	98.5	113.9
Edible sugar	10,000 tons	63.0	116.5
Cigarettes	10,000 boxes	228.4	109.8
Wine	10,000 tons	39.7	101.5
Cotton cloth	100 million m	6.6	143.5
Mixed cotton and chemical fiber cloth	100 million m	2.6	108.3
Chemical fiber cloth	100 million m	1.2	120.0
Matches	10,000 pieces	213.6	99.8
Soap	10,000 boxes	414.6	130.3
Laundry detergent	10,000 tons	5.9	131.1
Sewing machines	10,000 sets	97.8	120.6
Wristwatches	10,000 watches	446.4	161.3
Bicycles	10,000 bicycles	228.3	124.3
Transistor radios	10,000 sets	215.0	112.5
Television sets	10,000 sets	121.4	134.0

Note: The retail value of social commodities does not include the retail value of commodities sold by peasants to nonagricultural residents. The volume of sales of major commodities represents the figures for state-run commercial units and supply and marketing cooperatives.

5. Commodity Procurement, Importing, and Exporting by State-Run
Commercial Units and Supply and Marketing Cooperatives
January 1985

	<u>Unit</u>	<u>Quantity</u>	January 1985 com- pared to same period previous <u>year (%)</u>
Net Domestic Procurement	100 million yuan	276.0	129.0
Volume of Procurement of Major Commodities			
Hogs	10,000 head	960.5	74.0
Fresh eggs	10,000 dan	67.2	151.0
Aquatic products	10,000 tons	9.7	82.9

Salt	10,000 tons	78.0	106.3
Edible sugar	10,000 tons	103.9	147.0
Cigarettes	10,000 boxes	220.4	134.1
Wine	10,000 tons	34.1	103.3
Cotton cloth	100 million m	4.4	125.7
Mixed cotton and chemical fiber cloth	100 million m	2.2	104.8
Chemical fiber cloth	100 million m	0.9	112.5
Matches	10,000 pieces	169.8	88.0
Soap	10,000 boxes	320.1	116.7
Laundry detergent	10,000 tons	5.8	156.8
Sewing machines	10,000 sets	60.6	91.0
Wristwatches	10,000 watches	417.8	144.2
Bicycles	10,000 bicycles	202.4	114.4
Transistor radios	10,000 sets	119.6	87.4
Television sets	10,000 sets	66.1	120.6
Gross value of Imports and Exports	100 million yuan	126.3	181.5
	\$100 million	45.3	128.3
(1) Gross value of exports	100 million yuan	53.6	146.4
	\$100 million	19.2	103.2
(2) Gross value of imports	100 million yuan	72.7	220.3
	\$100 million	26.1	156.3

Note: The gross value of imports and exports is based on the telegraphic figure from customs statistics. The figures for the gross value in Renminbi is converted from the U.S. dollar.

9335

CSO: 4006/684

ECONOMIC MANAGEMENT

COMPETITION SAID NECESSARY FOR SOCIALIST COMMODITY ECONOMY

Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 2, 20 Apr 85 pp 52-55

[Article by Nie Delin [5119 1795 2651] of the Social Sciences Department, Beijing Institute of Technology: "Competition Is Companion of the Commodity Economy"]

[Text] For a long time, people have viewed competition as peculiar to capitalism and taken discriminatory and repressive measures against it. As a result, socialist commodity production was deprived of an external motive force and socialist enterprises lost their vitality to a certain extent. The "Decision of CPC Central Committee on Reform of the Economic Structure" reviewed the scientific achievements of long-standing theoretical research and summed up the experiences in socialist construction at home and abroad, particularly China's success in invigorating the domestic economy and opening the country to the outside world after the 3rd Plenum of the 11th CPC Central Committee. It clearly affirmed socialist economy as a "planned commodity economy based on the system of public ownership" and added that "where there is commodity production there is bound to be competition." This is an important breakthrough and development since the days of Marx and Engels in the theory of socialist commodity economy accompanied by competition, as well as an important theoretical basis for the comprehensive reform of China's economic structure.

In fact, as long as we theoretically affirm socialist commodity production and commodity exchange, it is only logical that we also affirm competition under the socialist system particularly because this type of competition is fundamentally different from capitalist competition. However, many comrades, though recognizing socialist commodity production and exchange, are opposing socialist competition, threatening competition and commodity economy as entirely separate issues. Therefore, a scientific demonstration of the innate relationship between competition and commodity economy and a theoretical clarification of the need for competition in commodity production are essential for an in-depth understanding of the various principles, policies and measures enumerated by the "Decision." This article will attempt an exploration of this issue of the relationship between competition and the commodity economy.

The relationship between competition and commodity economy can be likened to that between an object and its shadow, which are inseparable. The object is the cause of the shadow, while the shadow is the result of the object. The reasons for this relation are as follows:

1. The various categories reflecting commodity economy can only be realized through competition. In his analysis of the relationship between capitalist economy as a category and competition, Marx pointed out: "The innate nature of capital can be exposed as an external necessity only through competition appearing in an realized as the reciprocal interaction of a great amount of capital. Therefore, any category of bourgeois economy, even the most elementary category--the law of value for example--cannot be realized without free competition, or without going through the actual process of capital. This process is manifested as the interaction among various types of capital and the relations of production determined by them."¹ Shorn of the relations of production peculiar to capitalism, these remarks are essentially applicable to commodity economy of all types, even though each has its own characteristics.

In socialist commodity economy, many of its categories can be exposed as an external necessity through competition. The magnitude of value, for example, is determined by the socially necessary labor time for the production of the commodity. Socially necessary labor time refers to the time "required to produce an article under the normal conditions of production and with the average degree of skill and intensity prevalent at that time."² However, in order that the socially necessary labor time can be realistic, we must average out the socially necessary labor time of all producers of the same commodity, and this process is accomplished through competition within a certain sphere. "What competition, first in a single sphere, achieves is a single market-value and market-price derived from the various individual values of commodities."³ In the past some people held the view that the socially necessary labor time in socialist commodity economy could be determined directly by the state plans. They even believed it possible to prohibit competition by policies and decrees. Practice has proved this to be futile. There are more than 1 million types of commodities in society and the determination of socially necessary labor time for each of them would be beyond the capacity of computers, much less the human brain. Furthermore, the amounts of socialist necessary labor time for these commodities are variables. They all are the function of time or, directly speaking, functions of changes in labor productivity. Even though people may be able to determine the amount of socially necessary labor time for each commodity, these amounts can change with the passage of time, in which case, they will become unreal.

Competition cannot be prohibited by policies or decrees, and arbitrary prohibition will not help in socialist commodity production. Marx said: "If we imagine that decrees are all that is needed to get away from competition, we shall never get away from it. And if we go so far as to propose to abolish competition while retaining wages, we shall be proposing nonsense by royal decree. But nations do not proceed by royal decrees. Before framing such ordinances, they must at least have changed conditions of their industrial and political existence from top to bottom, and consequently their whole manner of being."⁴ From this, we can see that decrees can settle matters only when social economic conditions are ripe; but not otherwise. Since many categories of socialist commodity economy can be realized only through competition, then, competition has become an inherent necessity in the socialist commodity economy.

2. Competition is a basic feature of commodity economy. In describing imperialism as the highest stage of capitalism, Lenin pointed out: "Free

competition is the basic feature of capitalism and of commodity production generally."⁵ "Free competition here refers to a contrast to monopoly, while "commodity production generally" refers to various types of commodity production, including socialist commodity production.

Why is competition a basic feature of commodity production in general? The reason is that commodity production of all types is social production intended for exchange. However, successful commodity exchange is a joint undertaking of the buyer and the seller. Instead of the desire of a single party, the agreement of both the buyer and the seller is required. The essential point here is that both parties must agree to the conditions of exchange, meaning an acceptable price for both. It is only competition that determines the concrete limits of commodity price variations. Now let us look at socialist commodity production. On the question of price setting in socialist commodity production, apart from a small number of commodities subject to unified price-setting by the state, the limits of price variations for most commodities after the reform in the pricing system are determined by competition. Precisely as pointed out in the "Decision," "In readjusting prices, we must reform the over-centralized system of price control, gradually reducing the scope of uniform prices set by the state and appropriately enlarging the scope of floating prices, within certain limits, and of free prices. Thus prices will respond rather quickly to changes in labor productivity and the relationship between market supply and demand." Enabling prices to respond quickly to changes in labor productivity implies that socially necessary labor time is the basis of price changes; and enabling prices to respond to the changes in the relationship between market supply and demand implies that the actual limits of price changes are set by and result from competition, for the reason that changes in the relation between supply and demand, viewed from another angle, are no more than changes in competitive power on both sides. If the seller has the upper hand in the competition, meaning that the supply is short of demand, the price will tend to rise. On the other hand, if the buyer has the upper hand, meaning that the supply is excessive for the demand, the price will tend to fall. This rule applies to all commodities sold at either floating or free prices in the process of competition, although in the case of floating prices, the changes are confined with certain limits.

In the case of free prices, the limits of changes are dictated by competition. Marx said: "The division of labor within society brings into contact independent commodity-producers who acknowledge no other authority but that of competition, of the coercion exerted by the pressure of their mutual interests."⁶ I believe that even in setting uniform commodity prices, the state cannot ignore indefinitely the changes in the relationship between supply and demand. Appropriate readjustment of commodity prices at certain times is useful for the development of socialist commodity production, for the four socialist modernizations, and for more effectively meeting the material and cultural needs of the people. On the whole, therefore, competition is also a basic feature of socialist commodity production.

3. Competition provides a concrete way for the law of value to assert itself. The law of value is the basic law of commodity economy. According to the spirit of this law, the magnitude of commodity value is determined by the amount of

socially necessary labor time required for the production of the commodity; and in commodity exchange requiring exchange at equal value, the price should be equal to the value. Each law has its own form of expression, and it is only through this form that its existence can be proved. The law of value is no exception. The existence of the law of value is shown in the fluctuation of prices around value. As mentioned earlier, competition determines the fluctuation of prices according to changes in the relationship between supply and demand. The movement of prices around value is like the movement of an object above the earth surface: although separated from the earth surface, it eventually will return to it. As the movement of the object proves the existence of the earth's power of gravity, so the fluctuation of commodity prices proves the existence of value. "The continual deviation of the prices of commodities from their values is the necessary condition in and through which alone the value of the commodities can come into existence. Only through the fluctuations of competition, and consequently of commodity prices, does the law of value of commodity production assert itself and the determination of commodity value by the socially necessary labor time become a reality."⁷

This generally also applies to socialist commodity economy. People did not recognize competition in the past and believed that they could consciously use the law of value as a scientific way to determine commodity prices. Practice has proved this to be impractical. "To establish the determination of value by labor time, by forbidding competition to establish this determination of value through pressure on prices in the only way in which it can be established, is therefore merely to prove that, at least in this sphere, one has adopted the usual utopian disdain of economic laws."⁸

4. Competition provides a way for the production price law [shengchan jiage guilü 3932 3934 0116 2706 6016 1774] to assert itself. In a developed commodity economy, the production price law is playing an increasingly dominant role. Marx also called it the "law of average price." The so-called production price means the cost price of commodities plus the average profit. The production price law applies when competition and the changes accompanying it in labor and the means of production among different departments enable different profit rates to average out to form an average profit rate. Then the law of value becomes the production price law. The fluctuation of market prices around the production price is this law's form of expression. If we say that competition within a department enables the values of individual commodities to form a social value which is subject to the law of value, then competition among different departments would enable the production prices of individual commodities to form a social production price which is subject to the production price law. Marx said: Competition between the different spheres of production creates the same general rate of profit in the different spheres through the levelling out of the different market-values into market prices, which are cost-prices that are different from actual market-values. Competition in this second instance by no means tends to assimilate the prices of the commodities to their values; on the contrary, it reduces their values to cost-prices that differ from these values, abolishing the differences between their values and cost-prices."⁹

Economic circles have long debated the issue of the existence or nonexistence of production price in the socialist commodity economy; the issue has also been

ignored by many scholars. The existence or nonexistence of production prices is dependent on an objective economic condition rather than the subjective will of man; and this objective economic condition is competition among different sectors. However, there is a prerequisite, namely, a fairly sweeping development of the commodity economy. This prerequisite is beginning to take shape in China at its present stage, and there is no doubt that it will continue to develop. The question concerns the existence or non existence of competition among different departments in socialist commodity economy. If we admit that there is competition within a sector, then there will be no reason for us to reject the existence of competition among different sectors. We may hold that as long as there is no monopoly, competition must exist among all sectors undertaking commodity production.

In fact, the spirit behind this question has already been affirmed in the "Decision," which pointed out: "The relationship between socialist enterprises is first of all one of cooperation and mutual support, but this by no means excludes competition." The relationship between socialist enterprises referred to here certainly includes the relationship between enterprises of the same as well as different types. It is first of all one of mutual cooperation and mutual support, but there is also competition between them, and the result of this competition is victory for the superior and defeat for the inferior, although the victory here essentially differs from the survival of the fittest under the jungle law of capitalism. Actually, in the course of economic readjustment and restructuring, the measures we have adopted in closing, suspending, merging and retooling those enterprises that have long incurred losses from bad management and failed to turn their losses into profits within time limits, are precisely a reflection of the victory for the superior and defeat for the inferior. The reason why this competition has not been clearly manifested is, first, the underdevelopment of our commodity economy and particularly the long state of self-sufficiency and semi-self-sufficiency in agriculture. Second, the old mode of economy--the ossified mode of "ignoring commodity production and the roles played by the law of value and by the market"--was bound to exclude competition. These are the problems to be solved in the reform of our economic structure. Third, our guiding ideology was influenced by the "leftist" errors to such an extent that competition, whenever mentioned, was associated with capitalism. The normal progress of competition thus was obstructed and suppressed. All these factors have interfered with the development of socialist commodity production, as we have learned the hard way.

5. Competition is a powerful lever for achieving a balance between supply and demand. The contradiction between supply and demand always exists in commodity economy. Supply refers here to the total amount of commodities available on the market, while demand refers to the amount of commodities needed by purchasers with due purchasing power. These two amounts are usually unbalanced because supply normally exceeds or falls short of demand. It is precisely this imbalance that gives rise to competition through which supply and demand will tend to be balanced. If the supply of a certain commodity is excessive for the demand, the buyer will have the upper hand in the competition, resulting in a buyer's market. Then the buyers, in varying numbers, will combine to compete against the sellers. In the course of competition, the commodity price will tend to fall, thus compelling the sellers to lower the commodity price. Such

a price reduction will increase the demand. On the other hand, because of the lowering of the profit rate, some producers of this commodity will reduce its output or switch over to another line of products, and the supply will be reduced. In both cases, supply and demand tend to be balanced. Conversely, if the supply of a certain commodity is short of demand, the reverse would result, which will also tend to balance supply and demand. However, even when supply and demand are balanced, the motion and changes in the relationship between them do not stop and a new imbalance will emerge. Thus competition will continue under a new set of conditions. This is how competition continually resolves the contradiction between supply and demand and achieves a balance between them in commodity economy. Thus we can see that while commodity production objectively needs competition, competition in turn promotes the development of commodity production.

Even in a socialist commodity economy, competition still serves to resolve the contradiction between supply and demand and to achieve a balance between them. It is different from the competition of the capitalist commodity economy, because negative phenomena or unlawful acts can be effectively dealt with by the relevant departments of socialist countries through economic legislation and intensified education and control.

FOOTNOTES

1. "Collected Works of Marx and Engels," Vol 46 (part two), p 60.
2. Op. cit., Vol 23, p 52.
3. Op. cit., and Engels" Vol 25, p 201.
4. Op. cit., Vol 4, p 174.
5. "Selected Works of Lenin," Vol 2, p 809
6. "Collected Works of Marx and Engels," Vol 23, p 394.
7. Op. cit., Vol 21, p 215.
8. Ibid.
9. "Collected Works of Marx and Engels" Vol 26 (part two) p 230.

9411
CSO: 4006/759

FINANCE AND BANKING

NEED TO ENFORCE TAX LAWS EMPHASIZED

Beijing ZHONGGUO SHUIWU [CHINA'S TAXES] in Chinese No 6, 12 Jun 85 pp 2-3

[Editorial: "The Dignity of Tax Policies and Laws Must Be Preserved"]

[Text] Taxation is the state's principal means to organize financial revenues as well as an important lever to regulate economic management. Along with the deepening of the reform of our economic structure and the development of socialist commodity economy, taxation has played an increasing role in various spheres of economic activity and in various links of social reproduction. After the second phase of the reform requiring state-owned enterprises to pay taxes in lieu of delivering their profits, the state's budgeted revenues will basically come from taxes, and completion of the tax plan will have a decisive effect on the state budget and the balance of receipts and payments. Therefore, preservation of the dignity of tax policies and tax laws is of great practical significance.

At present, the leading organs at various levels are attaching increasing importance to taxation and strictly abiding by the tax laws, and most enterprises and individuals are consciously fulfilling their legal tax obligations in an effort to contribute to the four modernizations. However, there are also some problems in taxation. Some enterprises and individuals lacking the concept of law and discipline have willfully evaded taxes and sometimes even openly refused to pay them; some regions and departments have changed tax rates and distorted tax policies at will instead of abiding by the uniform rules of tax laws; some regions have overstepped their jurisdiction by deciding on the reduction and exemption of taxes; some departments have issued documents giving their own decisions on the question of taxation; and so forth. All these are in violation of tax laws and must be corrected. It should be pointed out that all tax policies and laws have been promulgated by the NPC Standing Committee or by the State Council as authorized by the NPC. They are state laws which must be strictly observed by people at all levels throughout the country. No region or department whatsoever can refuse to implement them for any reason. The acts of willful tax evasion, refusal to pay taxes, and delayed payments in disregard of state tax laws on the part of some enterprises and individuals are even more intolerable under state laws.

One development that deserves attention is that among some comrades, the very mention of invigorating the economy evokes demands for reduction or exemption of taxes, and any mention of expansion of the enterprises' decisionmaking power leads to a request for "loosening the bonds" of taxation. These ideas are one-sided and harmful to economic development and reform. As pointed out by the leading comrades of the State Council, the principles, policies and measures for reform as determined by the CPC Central Committee and the State Council are the necessary conditions for invigorating the economy. As long as their policies are implemented and enterprises carry them out conscientiously by relying on their own efforts to tap potential and to improve the economic results, a great deal can be accomplished.

However, some enterprises are still relying on outside help and waiting for further decentralization of management or further tax concessions by the state. Practice has proved that this serves only to increase present difficulties and retard the development of production. The enterprises should turn their attention mainly to their own workshops and products, and rely on their own workers in discovering trade secrets, tapping potential and improving economic results. Proceeding from the overall situation, the state should, of course, support the development of certain products and trades, and grant tax reductions or exemptions as certain necessary preferential treatment. This method has shown fairly good results and should be continued. However, the enterprises should strive for their part to increase production and practice economy, improve their business operation and management, lower their production costs, and raise their income. They must never rely solely on tax reductions or exemptions. If the units in charge truly want to support and protect these enterprises, they should devote their efforts to improving the operation and management and the economic results of these enterprises in order to raise their quality to a higher standard instead of helping them seek special privileges or "protecting shortcomings," since such help and "protection" can only hurt instead of protect these enterprises.

The current tax policies and laws, on the whole, are based on the overall interests of the national economy. They embody the principle of combining flexibility with strictness and macroeconomic control with microeconomic invigoration. For the production and business operation that are beneficial to macroeconomic and financial resources, the tax policies should be flexible. However, they should be strictly enforced against any production or business operation that may be harmful to the overall national interests and in violation of financial and economic laws, in which case there can never be any relaxation of enforcement. Flexibility and strictness are dialectical opposites, and there must be a suitable degree of flexibility or strictness before we can arouse the enthusiasm of the enterprises and individuals and increase production and income. If we only stress the need to "loosen the bonds" and "make alternative arrangements" by arbitrarily adopting flexible tax policies which would reduce state revenues, the overall interests of the national economy will be adversely affected. At the same time, taxation will not be able to play its role as an economic lever, and the enterprises will not be able to increase their own vitality for competition under equal conditions.

In short, taxation involves important policy issues, while tax reduction and exemption concern the economic benefits of the state, the collective and the individuals. State tax laws are based on the overall situation and fairly aptly embody the interests of all three parties. Therefore, all units must without exception uphold tax laws. Leading comrades at all levels should take the lead in the implementation, and there cannot be any reason for any authority to be above tax laws. For the strict enforcement of these laws, it is necessary for all units concerned to conduct check-ups on the way these laws are being implemented and to amend any decision that is contrary to the tax laws or beyond the sphere of proper jurisdiction. At the same time, measures must be taken to strengthen the control and leadership over taxation. Only thus can taxation more effectively play its role as an economic lever in promoting the coordinated development of the national economy and the smooth progress of the reform of the economic structure.

9411

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FINANCE AND BANKING

EXCERPTS FROM BEIJING MAYOR'S SPEECH ON TAXATION

Beijing ZHONGGUO SHUIWU [CHINA'S TAXES] In Chinese No 6, 12 Jun 85 p 3

[Excerpts of Speech by Chen Xitong [7115 1585 0681], Mayor of Beijing, at a Meeting of Beijing Tax System for Exchange of Experiences entitled: "The Work of Taxation Must Be Intensified"]

[Text] I am very happy to be able to attend this meeting. I have always wanted to attend the meetings held by the tax, finance and auditing departments although sometimes I had no time to do so. Today, Comrade Jinxin [6855 9515] has come to give an important talk. I find this talk very comprehensive, to the point, and important. Since he is an expert, his talk has greatly enlightened me. I hope the comrades will carefully study it and act accordingly. I thank you all on behalf of the municipality party committee and the municipal government. You have done your work well and your achievements have contributed to the smooth progress of our work and our reform in various fields in 1984. As the mayor, I cannot do much municipal construction without money. Do not say that I am thinking of everything in terms of "money," because this is not true. However, if we want to do our work well in Beijing, particularly in the development of material civilization, money is indispensable. We need money to repair the theaters, the young people's centers, and the children's playhouses; and also to improve the old city districts, widen the roads, repair the subway and control pollution.

In short, money is indispensable in accelerating the capital's construction. I have gradually grasped this point in my 2 years as mayor. That is why I consider the work of taxation very important. While there should be personnel reductions in 99 departments, personnel increases are still needed in the taxation department. Your department is indeed important and must be strengthened. To carry out taxation work effectively, particularly that concerned with tax evasion, tax laws must be strictly enforced and all taxes due must be collected. The tax department must study the way to generate, accumulate and use wealth, and to create new tax resources in order to promote production. Your department demands high standards and is strict in its demands and keen in the observance of discipline. Now some people are not law-abiding. Although they can talk glibly, their reputation is not above reproach. You people have integrity and do not violate state rules. As law-abiding citizens, you do not pay bonuses indiscriminately either in case or in kind under any pretext. Your material remunerations are small, and yet you persist in working

hard without complaint. Your dedication to duty with more worry about state affairs than about your own affairs indicates your high communist ideals. People should learn from you. Taxation is a glorious task, and I hope you will do your work well so as to guarantee your contribution to the smooth progress of the structural economic reforms.

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FINANCE AND BANKING

RURAL TAX POLICY FOR RURAL, SMALL TOWN ENTERPRISES DISCUSSED

Beijing ZHONGGUO SHUIWU [CHINA'S TAXES] in Chinese No 5, 12 May 85 pp 4-5

[Article: "On Rural and Small Town Enterprises and Rural Tax Policies; Niu Licheng [3662 4539 2052], Deputy Head of the General Tax Bureau Under the Ministry of Finance, Responds to Questions by ZHONGGUO SHUIWU Reporter"]

[Text] Question: What preferential tax policies are there toward rural and small town enterprises and the rural economy? What are the main contents?

Answer: The rural economy is an important component of China's national economy. In order to further enhance development of the rural economy and the rural and small town enterprises, the state has all along adopted preferential tax policies toward them. Besides offering the rural and small town enterprises the privilege of tax reduction and tax exemption under unified stipulation, the state also renders special taxation considerations in light of the different conditions of their development. These considerations have also been clearly stipulated and implemented by the revenue departments of the various localities. Here we will only discuss the main contents.

A. Product Tax and Increment Tax. The considerations given are primarily as follows: In terms of the income of the rural collective and individual from the crop-growing and breeding operations, with the exception of income from the sales of 10 products, including tea and tobacco, which require product tax, the rest will be exempt from product tax. Taxes are generally exempt from agricultural sideline products, such as dried vegetables, salted eggs and dried persimmon, through simple processing by the rural and small town enterprises and individual farmers, and from the woven products by peasants involved in family sideline production utilizing bamboo, grass and willow as raw materials, unless the scale of production is too large and tax exemption will affect the production of the specialized factories, in which case taxation will be imposed according to regulations. In the past, 5 percent tax was imposed on the small farm implements which they produce. Now, 3 percent tax is imposed as a special consideration. Toward the new rural and small town enterprises which have difficulty paying tax, with the exception of products that cannot be exempted from taxation under clearly stipulated tax laws and regulations, 1 year of tax reduction or tax exemption is possible upon approval by the revenue organ. Scheduled tax reduction or tax exemption can also be granted to the small power stations run by rural collectives or

individuals, as well as the rural and small town enterprises which produce and sell chemical fertilizers, farm chemicals, veterinarian medicines and small farm implements that directly serve agricultural production. Also, scheduled tax reductions or exemptions can also be granted in light of reality to those who require consideration, such as those self-help production operations in the disaster-stricken areas as well as those rural and small town enterprises and production operations run by individual farmers in the minority nationality regions and the economically more backward regions. In order to encourage the rural and small town enterprises to utilize the "three wastes" properly, tax reduction and tax exemption can be granted within a definite period of time for those products which utilize the enterprise's waste water, waste gas and waste residue as the major raw materials in production.

B. Business Tax. The major considerations are: Business tax is exempt from income obtained from the repair and replacement of farm implements carried out by the rural and small town enterprises and individual farmers and from peasant processing of grain, cotton and oil-bearing products; from the income obtained by individual craftsmen through rendering door-to-door service in the rural areas; from the income obtained by the peasants through picking and cleaning, sieving and drying; and from the income obtained through the transport for sale of piglets, lamb, young poultry, various kinds of seedlings, and firewood. In order to resolve the current difficulty in selling grain in the rural areas, a rate reduction of the temporary business tax from 10 percent in the past to 3 percent, which the peasants should pay in transporting grain for sale, is implemented.

In addition, the retail business tax is also exempt from the business income of such agricultural production service units as farm machinery stations, drainage and irrigation stations, plant-preservation companies, breeding stations, and veterinarian stations; as well as from seven commodities, including chemical fertilizer and farm chemicals sold by the basic-level supply and marketing cooperatives and the farm machinery companies below the county level for use in agricultural production, and from the farm machinery products and their spare parts sold by the farm machinery companies. This is for the purpose of mobilizing the enthusiasm of these units in serving agricultural production.

C. Industrial and Commercial Tax. Many measures of special consideration have also been adopted toward the rural economy. We know that income tax is imposed on our earnings. The measures of special consideration adopted toward income tax are in essence a support which the state renders to the rural and small town enterprises and peasants as well as a positive measure which it takes to strengthen their vitality. The considerations in respect to income tax are primarily as follows: Taxes are exempt from the income obtained by the village-run enterprises which operate soybean mill, flour mill, oil mill and sauce and vinegar mill in serving the livelihood of the commune members. Taxes are exempt for 2 to 3 years on the new cold storages and warehouses run by the rural and small town enterprises and the peasant individuals from the day they begin operation. Taxes are exempt for 3 years on the new feed industry run by the villages and towns. Special consideration of 1 year's exemption from taxes can also be given to other new rural and small town enterprises if they have difficulty in the initial period of operation.

Preferential treatment consisting of reducing half the taxes are given to enterprises that specialize in producing 12 foods, including soy sauce, vinegar and soy bean products, as well as the feed processing enterprises. Toward those rural and small town enterprises which have difficulty paying taxes according to regulation, special consideration such as tax reduction or tax exemption at regular intervals can be given. Special consideration for exemption from income tax for 5 years from the first day of entry into production is given to the profits obtained from the products produced by the rural and small town enterprises which use the waste water, waste residue and waste liquid of their enterprise as the primary raw materials. In addition, the state has given preferential consideration to the rural and small town enterprises in their calculation of income tax from their financial budget. For instance, the social expenses of the rural and small town enterprises may be budgeted according to the 10 percent taxable profit before income tax is levied.

In short, for many years, the state has given much preferential treatment to the rural areas and rural and small town enterprises in taxation. This has played a positive role in enhancing rural economic development.

Question: Toward the income tax of the rural and small town enterprise, we have all along implemented the proportional tax rate. Why is this now being changed to the eight-level surplus progressive tax?

Answer: Since the 3d Plenum of the 11th CPC Central Committee, with the implementation of the various economic policies in the rural areas, the rural and small town enterprises have developed rapidly, the scale of the enterprises has become larger and larger, and profits have become higher and higher. These enterprises have already attained a considerable amount of accumulation and a definite financial capability. According to statistics, the gross income of the rural and small town enterprises throughout the country in 1983 was 92.8 billion yuan, with 13.6 billion yuan in profits. In order to rationally regulate income and balance the tax burdens between the rural and small town enterprises on the one hand and the other collective enterprises on the other, the State Council has decided to implement the eight-level surplus progressive tax rate in taxing all the rural and small town enterprises as of 1984. With the surplus progressive tax rate, those enterprises with little profit will have a lower tax rate and a lighter burden of taxation. This has realized the special consideration which the state shows toward the small enterprises. Toward those enterprises with higher profits, the tax rate is correspondingly higher. In this way, we can rationally regulate the income of the enterprises, suit the situation of an unbalanced development of rural and small town enterprises and realize the principle of rational burden. Obviously, implementation of the eight-level surplus progressive tax rate is a corresponding measure adopted by the taxation system in more effectively considering the interests of the state and the collective.

Question: In the future, will the state continue to implement preferential taxation policies toward the rural economy?

Answer: In the last few years, the rural economy has indeed developed to a great extent. However, it is still in the process of making a transition toward commodity production. To meet the demands of the reform of the urban economic system and the four modernizations, the rural economy must develop still more rapidly. Thus, the state should continue to adopt preferential policies toward rural taxation. However, we should also be able to realize that, with the development of a rural commodity economy, the income of the rural and small town enterprises and individual farmers has increased rapidly. Currently, the income of some county rural and small town enterprises has surpassed 100 million yuan, and the income of some specialized households has surpassed 10,000 yuan. From a long term point of view, the development of the rural economy will be inseparable from the development of large-scale industries, the key energy and communications installations, and the entire national economy. Thus, the tax policy must be gradually readjusted in light of the development of the rural economy. In short, to enable taxation to meet the needs of economic development, when the river rises the boat goes up. When the rural economy develops and incomes increase, the state should naturally increase taxes also. Only in this way can we more effectively exercise the role of taxation in regulating income, rationally handle the relationship among the state, the collective and the individual, provide more funds for the development of the national economy, and realize common prosperity for all people. Herein also lies the fundamental interests of the broad masses of peasants and staff members and workers of the rural and small town enterprises.

9335

CSO: 4006/748

FINANCE AND BANKING

TAX BURDEN OF RURAL, SMALL TOWN ENTERPRISES DISCUSSED

Beijing ZHONGGUO SHUIWU [CHINA'S TAXES] in Chinese No 5, 12 May 85 pp 31-32

[Article by Mo Tiansong [5459 1131 2646]: "On the Tax Burden of the Rural and Small Town Enterprises"]

[Text] The development of rural and small town enterprises is the key to reviving the rural economy as well as an important step in promoting the development of a commodity economy in a planned manner. Thus, the state has all along adopted preferential tax policies. While stipulating the obligation of the rural and small town enterprises to pay tax, it has adopted with emphasis some tax reduction or tax exemption measures. This is not only manifested in product tax, increased value tax and business tax, but also in income tax. For instance, income tax is exempt for 1 year for the new rural and small town enterprises; for 2 to 3 years for the new cold storages, warehouses and feed processing factories; and for 5 years for those enterprises utilizing the "three wastes." In addition, special considerations for tax reduction or exemption for a definite period of time are also given to those small hydroelectric power stations, small thermal power plants, processing factories for agricultural products as well as rural and small town industries that specially serve the livelihood of the commune members which may have difficulty paying taxes. Through tax reduction or exemption, the state has left behind for the enterprise the income tax from profits which the enterprise should be paying. In essence, this is equivalent to appropriating a portion of funds from the finances to support the rural and small town enterprises. This undoubtedly plays a positive role in increasing the vitality of the rural and small town enterprises and in enhancing the progress of the rural economy toward specialization, commercialization and modernization.

However, taxation comes from the economy and is a tool which participates in the distribution and redistribution of the national income. In macroeconomic consideration, we must stipulate corresponding policies regarding tax burdens in light of the development of the rural and small town enterprises. Only in this way can we carry out rational distribution among the state, the collective and the individual and take into consideration the interests of all three. Furthermore, tax reduction or exemption can only be adopted selectively in light of a specific target and a specific period of time. When the situation changes and the time period passes, in particular when the rural

and small town enterprises develop, then those who should pay tax must pay tax according to the law. Thus, in recent years, under the prerequisite of implementing preferential tax policies for the rural and small town enterprises, we have made appropriate adjustments. The primary adjustment is as follows: As of 1982, the 20 percent proportional tax rate of the industrial and commercial income tax which the rural and small town enterprises are paying has been gradually changed to the eight-level surplus progressive tax rate. The purpose of this change is not to increase the burden on the rural and small town enterprises but to address the unbalanced development of the rural and small town enterprises as well as to further legislate a rational tax burden.

The eight-level surplus progressive tax rate is different from the proportional tax rate. The percentage of tax on income is not fixed but corresponds to the amount of income. A lower tax rate will be suitable for an enterprise with a smaller income. Correspondingly, a higher tax rate will be suitable for an enterprise with a higher income. In doing so, the taxation will correspond to the profit obtained by an enterprise as well as its ability to shoulder the tax burden. An enterprise that obtains more profit and has the capability to shoulder a heavier tax burden will pay more tax, while an enterprise that makes a smaller profit and can bear only a small tax burden will pay less tax. This is a requirement both of fully exercising the regulatory role of taxation and of administering reasonable tax burdens.

The eight-level surplus progressive tax rate was implemented in 1982 only on the rural and small town enterprises in the suburbs as well as in the small towns under county jurisdiction, as well as rural and small town enterprises which produce 20 products, including cigarettes, wine and sugar. Only by 1984 was this extended. In light of the situation of implementation, there are some specific changes in the tax burden of enterprises and some localities, the characteristic of which is that the tax burden of those enterprises with greater profits and those localities where rural and small town enterprises develop relatively rapidly has correspondingly increased, while the tax burden of those enterprises with smaller profits and localities where rural and small town enterprises develop relatively slowly has correspondingly decreased. However, in light of the overall situation, the change in the tax burden of the rural and small town enterprises is slight and the burden is still light.

In 1978, the income of the rural and small town enterprises totaled 43.15 billion yuan. By 1983, it had increased to 92.87 billion yuan, with an annual average growth rate of 23.05 percent. Income tax delivered to the state totaled 640 million yuan in 1978. By 1983, it had increased to 1.57 billion yuan, an annual average growth rate of 29.06 percent. Income tax thus grew slightly faster than did profits. This is primarily because the state has for a long period of time implemented such preferential policies as low taxes, tax reduction and tax exemption toward the rural and small town enterprises, which has enabled them to develop to a great extent. At the same time, although the margin of growth of income tax for the state is wider because the term of tax reduction or exemption has expired and taxation has resumed for some enterprises, this increase nonetheless is basically synchronous with the development of the economy of the rural and small town enterprises. However, because their profits have increased, even though the tax rate has remained

unchanged, the amount of taxation will still increase. In 1978, rural and small town enterprise profits totaled 9.55 billion yuan, with 640 million yuan of income tax. The actual rate of tax burden was 6.7 percent. In 1983, profits increased to 13.67 billion yuan, 43.14 percent higher than 1978. Even if we calculate the actual burden of income tax according to the 6.7 percent of 1978, the amount of taxes would still increase to 916 million yuan, an increase of 256 million yuan over 1978. In order to implement the policy of reasonable tax burdens and balance the tax burden between the rural and small town enterprises on the one hand and other collective enterprises on the other so that they can all carry out competition and develop under the same tax burden, in 1983, the state used the eight-level surplus progressive tax rate to configure the income tax for the rural and small town enterprises in the suburbs of large cities and small towns under county jurisdiction. Although the actual burden has increased to 11.49 percent, when compared with the actual rate of income tax burden at 38.13 percent of the collective enterprises under the urban No 2 light industrial system in 1983, this burden is still very light.

In 1984, the state began to impose income tax according to the eight-level surplus progressive tax rate on all rural and small town enterprises in the rural areas. The tax burden has indeed increased a bit. From January to October 1984, the rural and small town enterprises paid 1,878,000,000 yuan in income tax, 497 million yuan more than the same period in 1983, an increase of 36 percent. However, a large portion of this is the result of production increases and improvement in economic results. After that, the power to examine and approve income tax reduction and exemption for the rural and small town enterprises has been transferred downward and some measures in tax reduction and exemption have been adopted. As a result, the income tax from the rural and small town enterprises in the latter half of the year displayed a downward trend compared to the corresponding period in the preceding year. For instance, income taxes in July 1984 increased by 15 million yuan compared to the corresponding period in the preceding year. In August, they dropped by 12 million yuan. In September, they grew by 9 million yuan, and in October dropped by 9 million yuan. Suzhou City in Jiangsu Province has relatively highly developed rural and small town enterprises. From January to October 1984, the gross value of industrial output of the rural and small town enterprises was 4.22 billion yuan, 41.2 percent higher than the corresponding period in 1983. The profit realized from January to June totaled 146 million yuan, 18.95 million yuan more than the corresponding period in 1983, a growth of 14.9 percent. The income tax delivered to the state totaled 30.50 million yuan, with the actual tax burden at 20.89 percent, 4.76 million yuan more than the corresponding period of the preceding year. Of this, 3.96 million yuan resulted from increases in profit through production development and the resumption of taxation from tax reduction and tax exemption. The tax increase resulting from the change in the proportional tax rate of 20 percent to the eight-level surplus progressive tax rate totaled only 802,000 yuan, constituting only 2.63 percent of all taxes. From this, we can see that the income tax burden on the rural and small town enterprises in 1984 was not heavy and that the tax increase was minimal. Currently, our country's rural economy is making big strides toward specialization, commercialization and modernization. Rural taxation can no longer conform to the new situation of the large-scale development of a commodity economy. We must study and resolve

this issue. During the period of difficulty and the period of recovery and development in agricultural production, and during the period when new rural and small town enterprises are put into operation, it is necessary for the state to render support and give preferential consideration in taxation by lowering, reducing and exempting taxes. In early 1984, on his inspection tours to different places, premier Zhao Ziyang has mentioned on many occasions that when agricultural production has developed and the peasant's income has increased, more contributions should be made to the state. In rural taxation, when the river rises the boat must go up and implement rational burden. We maintain that, on the basis of the development of the rural and small town enterprises, to appropriately readjust the rural tax burden and deliver a portion of the national income to the state in the form of taxation is a major policy decision by which the state guarantees its key construction projects. Fundamentally speaking, through taxation, the state accumulates funds for building water conservancy projects and other energy and communications infrastructures. This will provide the important material basis and open up broad prospects for further developing rural and small town enterprises. Thus, taxation by the state is consistent with the fundamental interests of the peasants.

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FINANCE AND BANKING

GUANGDONG'S OVERSEAS INSURANCE WORK REPORTED

Guangzhou GUANGZHOU RIBAO in Chinese 14 Jun 85 p 1

[Article by Huang Zhongliang [7806 1813 5328] and Zeng Xiangwei [2582 4382 1218]: "Guangdong Has Scored Outstanding Achievements in External Insurance Work; Honoring Contracts and Claims Has Rapidly Won Foreign Support and Trust"]

[Text] With the further relaxation of our foreign economic policies, Guangdong has scored outstanding achievements in external insurance work. Currently, Guangdong's income from insurance fees ranks first in the country, and has formed a tremendous amount of foreign exchange funds which can be used by the state.

According to the provincial insurance company statistics, in less than one and a half years from 1984 to March this year, the income from external insurance has totaled around \$53.33 million, and compensation for over 6,000 cases of economic losses has been made without delay to both Chinese and foreign insurance holders who have suffered from accidents and disasters. Thus, our credit and position of insurance is increasingly improving internationally. Many foreign businessmen have praised us in the following manner: "The external insurance cause in Guangdong will definitely thrive!"

For over a year, the various branch companies of the Chinese People's Insurance Company in Guangdong Province have vigorously developed the external insurance business and have faithfully observed the contracts and handled compensations rapidly, thus obtaining good reports from insurance holders abroad. For instance, on 1 November last year, our country leased an S76 helicopter from the U.S. Petroleum Helicopter Company to carry out petroleum prospecting in Beibu Wan. The helicopter crashed when the engine failed. Shortly after the accident, the insurance company immediately repaid the U.S. company some \$2.6 million in compensation.

Currently, Guangdong's external insurance services have expanded to over 100 countries and regions. There are over 30 types of coverage, including import-export cargo transport, shipping, aviation, offshore and land petroleum exploitation as well as foreign economic and foreign trade services. Recently, we have also offered various kinds of risk insurance policies from property to life insurance, and from fees to liabilities for 11 foreign petroleum companies, including those from the United States, Egypt and France, which are involved in the petroleum prospecting and exploiting in the South China Sea. We have made another new stride in the local insurance business in Southern Guangdong.

FINANCE AND BANKING

PENSION FUNDS, SOCIAL SECURITY DISCUSSED

Beijing JINGJI RIBAO in Chinese 23 Jun 85 p 2

[Article by Fu Huazhong [0265 5478 0022] of the Ministry of Labor and Personnel: "Carry Out Unified Collection of Pension Funds and Implement Social Security"]

[Text] By the end of 1984 China had over 14 million retired staff members and workers, involving over 10 billion yuan in retirement funds. The number of retirees constituted 12 percent of the in-service staff members and workers, and the retirement funds constituted 10 percent of the amount of wages. It is estimated that by the end of this century, there will be 40 million retired staff members and workers, involving over 40 billion yuan in retirement expenses. Prior to the "Great Cultural Revolution," the retirement funds for our state-run enterprise staff members and workers were collected in a unified manner throughout China. That is to say, the various enterprises paid a definite percentage (3 percent) of the enterprise's wage bill as a security fund to be regulated and used throughout the country by the All-China Federation of Trade Unions. In 1969, this became an item outside enterprise business expenditures, and the enterprise was reimbursed for what it spent. This method created great difficulties for enterprises, especially those who had a high percentage of older staff members and workers. These enterprises were unable to shoulder this expenditure, and the livelihood of the retired staff members and workers was not properly guaranteed. Also, the economic results of the enterprise could not be truly represented. Therefore, the method of social security must be adopted.

In recent years, Guangdong, Fujian, Sichuan, Jiangsu and Liaoning provinces and certain commercial and construction trades have already carried out pilot projects on the unified collection of retirement funds in some cities, counties and these respective undertakings. This has effectively guaranteed the livelihood of the retired staff members and workers, enabling those enterprises that formerly relied upon financial subsidies for retirement funds to issue retirement funds normally. The silk textile trade in Shunde County of Guangdong Province has many retired staff members and workers. Formerly, it needed nearly 2 million yuan every year in financial subsidies. After implementing unified collection, it basically does not require financial subsidy.

In view of the experience of the various localities in trial-implementing unified collection, to do this work well, first of all, the leadership must attach importance to and the concerned departments must coordinate closely in this work. The labor and personnel departments and the financial departments must regard this as important work and emphasize it accordingly. Second, we must unify thinking and clarify our muddled understanding. We must enable the new enterprises to understand that the old enterprises of today are the new enterprises of yesterday, and the new enterprises of today will be the old enterprises of tomorrow. If you support the old enterprises today, then other enterprises will support you tomorrow. On the other hand, the funds from unified collection delivered by the enterprises are drawn before taxes, so a portion is money given by the state. Social security is a social cause. A laborer makes a contribution to society when he has the ability to work. When he becomes old or when he loses his ability to work, his basic livelihood should be guaranteed by society. This is society's responsibility. Thus, the unified collection of retirement funds is absolutely not "egalitarianism and indiscriminate transfer of resources," "robbing the rich to give to the poor" or practicing new "egalitarianism." Third, in principle, the scope of the implementation of unified collection should include all the funds used on the retired staff members and workers. However, before implementation, we must take into consideration the capability of an enterprise, first make unified collection for such major items as retirement expenses, and then, little by little, gradually increase the items when the enterprise is well-equipped. The collection of retirement funds should conform to the needs of reality and the principle of maintaining some surplus, and a definite percentage should be drawn from the wage bill. A specialized social security organ should carry out unified collection, unified payment and unified management. Currently, we should carry out unified collection with the county and city as the unit and gradually expand it to the whole province and even the whole country. Because unified collection will affect local finances and enterprise profit retention, the financial departments should appropriately readjust the contract base figures and the regulatory tax rates. In implementing unified collection, we should draw a definite amount of turnover funds. The retirement funds should set up specialized accounts at the local industrial and commercial bank, implement special-item savings and special funds for special use, and no taxes or additional charges should be imposed.

Currently, the reform of the economic system with the city as the focus is deepening. Complementary reforms in the various sectors, including labor, personnel and the wage system, are being instituted. The insurance system must also accelerate its pace of reform. In reforming the insurance system, we should first of all do a good job of the unified collection of retirement funds and the management of services for retired staff members and workers.

9335

CSO: 4006/741

FINANCE AND BANKING

STRENGTHENING POSITION, FUNCTIONS OF PEOPLE'S BANK

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 6, 4 Jun 85 pp 16-18

[Article by Sheng Mujie [4141 1970 2638]: "Position and Functions of the People's Bank Need Strengthening"]

[Text] The development of the socialist commodity economy in 1984 created a situation marked by too large a scale of construction, too rapid an increase in credit loans, and too large an amount of currency issuance. Although not unaware of the situation, the People's Bank was not in a position to adopt the necessary remedial measures. That goes to show that under the conditions existing in a socialist commodity economy, the economic, financial and currency policies of a nation must be carefully devised and not be allowed to be patterned after old models, and that the People's Bank had failed to play its role to the fullest extent. To promote economic reforms and development, the exercise of macroscopic financial control and the strengthening of the position and functions of the People's Bank are matters that brook no delay.

I. Full Understanding of the Position of the People's Bank in the National Economy

The People's Bank is the central bank of socialist China. Vested with the heavy responsibility of promoting currency and financial stability and economic development, it exercises leadership and control on behalf of the State Council over the nation's financial institutions. Due to the evolution of the pattern of the commodity economy and the banking system in the past, this function of the People's Bank has not been fully appreciated in various quarters. Contributing to this lack of understanding is the fact that the banking system on the provincial and city levels is different from that on the state level and that the relevant documents have failed to make the point sufficiently clear and in detail. This situation has made it difficult for the People's Banks at the provincial and city levels to fulfill their functions and has weakened the mechanism of the banking system on the state level.

Since the announcement of "The State Council Decision on Strengthening Control Over Loans and the Issuance of Currency" in 1981 and the State Council decision of 1983 for the People's Bank and the specialized banks to perform their functions as central banks, the People's Bank, in its capacity as a central bank, has assumed its proper role as a bank of the state, a bank that

issues currency and a bank for other banks. In theory as well as in practice, the People's Bank is the nucleus of all financial institutions vested with the heavy responsibility of issuing orders to all financial institutions according to state economic and financial policies and promoting currency and financial stability and economic development. Therefore, the situation theoretically should not have emerged in 1984. That it did is due--aside from other major objective factors--to the mistaken conception of the People's Bank as a financial fountainhead and cornucopia for the supply of funds. We can learn only if we do not forget the past. To exercise macroscopic financial control, we must affirm the important financial and economic position of the People's Bank. Otherwise, it will not be possible to promote the development of the socialist commodity economy. The important position of the People's Bank must also be legally established rather than merely acknowledged in a casual manner.

II. The People's Bank and the Specialized Banks Must Fully Appreciate and Deal Properly with Their Mutual Relationship

To strengthen its position, the People's Bank must fully appreciate and deal properly with its relationship with the specialized banks. The specialized banks must, on the other hand, have an explicit understanding of the functions of a central bank, recognize the limits of their own capabilities, be conversant with the ways and means for making use of the functions of a central bank to develop their own operations and put themselves under the control of the Central Bank in in thought, theory and practice. The People's Bank must place its relationship with the specialized banks on a proper footing, have a correct understanding of its functions and operations and recognize the need to develop to the fullest extent the functions of the specialized banks. It must learn to exercise control over the specialized banks in matters concerning economic and financial policies.

Although the specialized banks are said to be national banks in theory and according to the system, they are similar to general commercial banks insofar as their operations are concerned. Since the banks are the regulators and nerve centers of the national economy, there must be an organ that serves as the representative of the state and that assumes the responsibility for checking up on, providing guidance to and regulating all the banks and financial institutions in keeping with state economic and financial policies. By tradition, this responsibility has been assigned to the Central Bank. Now that the People's Bank has assumed the functions of a central bank, the relationship between the People's Bank and the specialized banks at various levels (including other financial institutions) is that of the controller and those being controlled. This relationship is, however, confined to matters relating to state principles and policies. The common objective of the People's Bank and the specialized banks is to promote production, accelerate the process of circulation, improve the people's standard of living and strengthen the state's financial resources.

III. Further Reform of the Credit Loan Plan and Strengthening the Functions of the People's Bank in the Large and Medium-sized Cities

Although certain improvements have been made to the credit loan plan in the past, what occurred in 1984 indicates the need for further reforms if the functions of the People's Bank are to be strengthened.

As has been pointed out explicitly by the CPC Central Committee's "Decision Regarding the Reform of the Economic System," the socialist plan is of a mandatory nature while serving as a guide. The socialist plan also calls for market adjustments according to the actual circumstances. Financially, it calls specifically for the development of the functions of the People's Bank, the mandatory reduction of the scope and scale of the credit loan plan, the enlargement of the scope and scale of the mandatory plan and the exercise of control by making use of market adjustments whenever necessary. The problem of how to go about implementing the mandatory plan and making market adjustments is an urgent one that calls for a solution. The exercise of macroscopic control by exercising control over the amount of currency issuance on the basis of the rate of production development of the various national economic sectors and by accelerating the circulation of funds is no longer a theoretical issue but one which calls for study and implementation. To exercise effective control over the amount of currency issuance, the head office of the People's Bank must, in the allocation of credit funds, make a conscious effort to increase the supply of funds to its branches within its sphere of economic operations and to make funds available to all the financial institutions within that sphere according to the unified plan. As a financial nucleus, it must make use of the extension of loans and the interest rate as economic levers to strengthen its relationship with the financial institutions so that they may allocate and make use of funds to the best effect according to the objective demand of the mandatory plan and the need for market adjustments. Aside from making funds available to the head offices of the specialized banks, the People's Bank must also help them to strengthen their operational management, formulate their operational policies and strengthen their leadership over their branches and sub-branches in the various areas in accordance with state economic and financial policies.

IV. Gradual Development of the Functions of the People's Bank As "An Organ with Two Wings"

Apart from the mandatory plan, the People's Bank must develop its function as "an organ with two wings." Unlike the three problems mentioned above which can be easily solved by subjective human efforts or by adopting administrative measures, this can only be brought about gradually through the concerted efforts of everyone involved.

By "one organ" is meant the transfer of deposits. By controlling the transfer of deposits, the People's Bank is able to exercise control over the increase or decrease in the amount of credit loans and to fulfill its functions more effectively. Adopted in 1984, the system for the transfer of deposits needs to be further improved. First, all financial institutions must turn over to the People's Bank the stipulated percentage of their deposits, and no bank is to be allowed for whatever reason to accept the transfer of deposits. Second, the

stipulated percentage of renminbi as well as foreign currency deposits must be turned over to the People's Bank. Third, the percentage of deposits to be transferred to the People's Bank must be determined not only by the type of deposits but must also be of a progressive nature. That is to say, the larger the amount of deposits, the higher the percentage of deposits which must be transferred to the People's Bank. Fourth, there must be a definite difference between the interest rate for deposits and that for loans. In 1984, the interest rate for deposits transferred to the People's Bank by the specialized banks was the same as that for loans, 3.6 percent, a rate which did not serve the purpose for which the transfer of deposits was intended. Since 1985, the interest rate for deposits transferred to the People's Bank has been fixed at 3.6 percent, that for loans at 3.9 percent and that for short-term loans at 4.2 percent. The difference in the interest rates for deposits and loans represents an improvement. However, the difference between the interest rates for deposits and loans should be further widened to enable the specialized banks to make more effective use of their funds. The State Council has recently authorized the People's Bank to set the interest rate paid for deposits and that for loans charged by the specialized banks in keeping with the need for the development of the national economy and in accordance with the tightness or looseness of the money market, and to readjust the interest rates for deposits and loans adopted by the specialized banks. That represents an important means for the People's Bank to strengthen its macroscopic control. In view of what occurred in 1984, it has been suggested that the percentage of deposits to be transferred to the People's Bank should be gradually reduced.

By "two wings" is meant the rediscount and the open market policies which are important tools for implementing the guidance plan, for making market adjustments and for implementing the currency policy. The use of the discount rate is an important means by which the specialized banks can make effective use of their funds to invigorate the macroeconomy. Whenever necessary, the People's Bank may render the specialized banks its support through the adoption of the rediscount rate. The specialized banks must make full use of the discount rate and take full advantage of it. It is essential that the specialized banks establish their credit with the commercial sector by honoring notes and discount rates. At present, the commercial enterprises owe much of their credit to that of the banks. This phenomenon must not be allowed to continue. The credit of the commercial enterprises must be established the same way it is established by the banks. However, unless the long-standing practice of trading on credit is curbed by the adoption of administrative means, it will not be possible to develop the functions of economic measures. It is therefore hoped that the People's Bank will come up with alternative measures for the use of commercial money orders to be adopted after approval has been granted by the State Council. These measures will not only serve to uphold the creditability of the enterprises in their business dealings and establish a basis for the banks to engage in discount operations, but will also make it possible for the People's Bank to perform its functions.

The application of the open market policy calls for the issuance of government bonds and treasury notes of an acceptable and conventional standard. In studying and making use of the means adopted by various countries to solve their financial problems, we should not rule out or overlook the issuance of government bonds. The quotations of government bonds after they have been put

on the market are affected by various factors and are specially subject to the interaction posed by the demand of the investors for an interest rate which the market normally pays. The problem of creditability does not arise for bonds issued by a government under the socialist system. A government cannot issue, buy, sell and transfer the ownership of bonds if it is not prepared to accept changes in the quotations. At the same time, regular stocks should also be issued by large and prestigious enterprises. The issuance of stocks not only helps to reduce the financial burden of the government and ease the pressure occasioned by the shortage of circulating funds supplied by the banks, but also enables the enterprises to acquire funds of their own. Aside from the restrictions imposed by the normal interest rate in the market, stock quotations are also influenced by the economic effectiveness of the enterprises themselves. Unless we are prepared to accept the control exerted by the two factors on the stock market, then the issuance of stocks will not have much meaning. It is only when government bonds and bonds in the real sense of the word are issued that the existence of stock exchanges can be justified and that the People's Bank can put its open market policy into operation. However, the necessary conditions are still absent and we have yet to direct our efforts toward addressing this problem.

The three policy measures mentioned above cannot be equated and put on an equal footing. The transfer of deposits is both an economic as well as an administrative measure. The effect of this policy is considerable. The rediscount and open market policies are purely economic means which can be used singly or in tandem with limited results. Thus, it is necessary to use one organ to support the movement of the two wings and to use the two wings to develop the power of the organ. We have already adopted the system for the transfer of deposits and made a start in engaging in discount note operations. The 58 cities named as experimental points for the reform of the economic system have selected a small number of large enterprises for the issuance of bonds to be subscribed to by their own staff workers. This represents a turning point in the gradual development of the functions of the People's Bank.

9621

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FINANCE AND BANKING

NEW INSTRUCTIONS FOR INDUSTRIAL, COMMERCIAL BANK

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 6, 4 Jun 85 p 28

[Article: "Industrial and Commercial Bank of China Formulating Business Plans According to Requirements of Macroeconomic Control"]

[Text] In the first 10 days of April, Chen Muhua, president of People's Bank of China, came to the Industrial and Commercial Bank of China to listen to work reports and to give specific instructions on its work. She emphasized that the differential between deposits and loans of the current year must not be disturbed; that efforts be made to invigorate the economy with strict control over the size of loans as a prerequisite; that the projects supported by the banks should be classified according to their relative importance and urgency, loans should be closely examined, and services should be improved; and that urgent measures should be taken to control the consumption funds.

In accordance with Comrade Chen Muhua's instructions and relevant State Council regulations, the Industrial and Commercial Bank of China has formulated its business plans for the second quarter of the year. The main features are as follows:

1. Examination and recovery of those loans which have been improperly granted and curtailment of the credit funds: Industrial and commercial loans for collective enterprises and other credits, which were sharply increased in 1984, should be further examined. The loans which had been improperly granted to government departments and commercial enterprises run by civilian organizations should be carefully reviewed or recovered, if necessary. If curtailment of credit funds is necessary, the planning department should work out plans for implementation while ensuring that the differential between deposits and loans and the scope of credit are not exceeded.
2. Stricter control over fund allocation in supporting the invigoration of economy: To support construction projects, the bank should adhere to the principle of priority for projects being continued over those being started, and priority for projects abroad over projects at home. It should also support production and circulation in order to invigorate the economy. The scope of credit should be reexamined every month and any problem detected

should be promptly solved. Applications for loans must be carefully scrutinized, and efforts should be made to tap the financial resources of enterprises, to clear the outstanding loans, to correct the improper use of funds, and to help the enterprises convert losses to profits.

3. Improve the trust service and the handling of loans to urban credit cooperatives and collectives engaged in industry and commerce and loans for technical transformation by strengthening management and creating efficient systems.

4. Continue to correct unhealthy trends with particular reference to the several major cases of "making private gains through the granting of loans." All cadres and workers in the bank should be educated through good examples and by setting precedents. Party discipline must be strictly enforced, and bureaucratism must be combated by strengthening political and ideological work under the new conditions.

5. The departments in charge of wages, finance, science and technology, and savings should make every effort to provide greater convenience for deposits and withdrawals and to reduce the volume of cash transactions.

9411

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FINANCE AND BANKING

AGRICULTURAL BANK'S MEASURES FOR LOAN CONTROL

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 6, 4 Jun 85 p 29

[Article by Zheng Hui [6774 2547]: "Agricultural Bank of China Proposes 10 Measures for Controlling Size of Loans"]

[Text] Recently, the Agricultural Bank of China held an unscheduled meeting of all its branch presidents to analyze experiences in carrying out its credit plan in the first quarter of the year, and proposed 10 measures for better control over the size of loans.

Since the beginning of the year, the Agricultural Bank at all levels have performed their work as required for controlling the issuance and the size of loans and in accordance with the spirit of CPC Central Committee Document No 1 calling for active support for the structural readjustment of rural production. According to statistics on all Agricultural Bank branches at the end of March, the total amount of loans exceeded the total amount of deposits by some 3.6 billion yuan, a decrease of more than 5.8 billion compared with the same period last year. They have fairly successfully solved the problem of funds for the procurement of agricultural sideline products and for supporting spring farming in the past 2 years. In carrying out the credit plan in the first quarter of the year, however, there were also some problems deserving attention. First, the "superspeed" development of rural and small town enterprises led to an excessive increase in loans. The loans granted in the first quarter already exceeded the annual quota; this excessive increase will definitely affect the annual balance of receipts and payments and the macroeconomic balance, and will create difficulties for the rural and small town enterprises in maintaining their steady and coordinated development. Second, the deposits handed over by the credit cooperatives to the Agricultural Bank were often insufficient and greater support for these credit cooperatives meant increased loans from the Agricultural Bank. Third, trust loans increased excessively, and exceeded the annual quota by the end of March. This aggravated the shortage of credit funds and made it difficult to control the scale of capital construction projects that were not included in the plans. Fourth, the disposition of funds was not flexible enough. While some branch banks were seriously short of funds, the Agricultural Bank as a whole still had huge funds withheld from circulation, even though the minimum operating funds to be kept were not counted. Thus credit funds cannot produce the desired results.

In view of the major problems in implementing the credit plan during the first quarter of the year, the Agricultural Bank has set forth 10 measures for controlling the size of loans:

1. The size of loans must be strictly controlled. The increase in various types of loans from the Agricultural Bank must conform to the scope approved by the People's Bank. All branch offices must follow the plan approved by their head office and act carefully. The planned figures must not be exceeded without approval.
2. Credit funds for rural and small town enterprises must be appropriated out of funds ear-marked for agricultural loans, be controlled according to the indices, and be accounted for independently. The limits of increase set in the annual plan must not be exceeded. Those branches which have already exceeded these limits must offset the excess in May and June. Should there be any difficulty in accomplishing this, a report should be submitted and the excess must be offset by no later than the end of September.
3. Credit cooperatives must turn over 30 percent of their deposit holdings to the Agricultural Bank. Those who have not been able to reach this proportion must do so before the end of May or June according to the circumstances. The funds in support of credit cooperatives must be strictly controlled, and the amount must be confined to planned limits.
4. Credit funds for the procurement of agricultural sideline products must be handled in special accounts. The funds required for procurement in 1985 have already been included in the annual credit plan. To ensure the availability of funds for procurement according to plan, funds may be appropriated out of the commercial loans and be handled in a special account. However, the bank must be responsible for any deviation from this way of fund handling.
5. Loans for technical transformation must be controlled according to mandatory plans and held within the annual plan limits. Conscientious feasibility studies must be conducted on the projects for which technical transformation loans are to be granted. The authority to approve these loans must be strictly controlled.
6. Trust loans must be controlled within the annual plan limits and cannot be increased at will. All branches must ascertain the sources of trust deposits and verify the trust loans already granted. The funds not under the category of trust deposits must be returned to their proper accounts, and the trust loans improperly granted must be recovered. The loans for fixed assets must fall within the scale of capital construction determined by the state.
7. Applicants for loans must maintain their own funds to a certain proportion. In granting loans to rural and small town enterprises and specialized households, the bank must be sure that applicants have their own funds amounting to 50 percent of the loans. For some applicants in difficulty,

the proportion may be lowered to 30 percent. If their own funds are not up to the required proportion, no loan can be granted.

8. The work of mobilization and organization for deposits must be stepped up. The banks at various levels must not relax their efforts in the organization of deposit work on the grounds that increased deposits does not mean increased loans in the current year. They must continue to increase their deposit outlets appropriately, assign the required personnel, and improve their services to attract more depositors.

9. Loans improperly granted in 1984 must be offset. According to relevant instructions from the State Council, all branch banks should offset these loans in May or June. The way to accomplish this is to reduce the corresponding amounts of loan quota for the current year. If the quota is not enough, some alternative plan should be worked out in consultation with the People's Bank.

10. Loan discipline must be strictly enforced to ensure that the size of loans granted conforms to the limits of state plans. In carrying out these plans, banks at all levels must be sure that there is "strict enforcement of orders and prohibitions." They should request instructions in dealing with problems in carrying out the plans, and the bank presidents are responsible for the execution of plans.

9411

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FINANCE AND BANKING

CONTROL OF CAPITAL CONSTRUCTION LOANS TIGHTENED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 6, 4 Jun 85 p 30

[Article by Deng Tingduo [6772 1694 6995]: "Construction Bank of China Tightens Its Control over Capital Construction Loans and Other Credit Transactions"]

[Text] Since the beginning of this year, the Construction Bank has conscientiously carried out the spirit of the State Council's instructions concerning reexamining the loans granted in 1984 and strictly controlling the size of loans to be granted in 1985. Through coordinated efforts at all levels and systematic work, the bank has achieved certain success.

1. General checks: When the State Council's "Urgent Notice" was issued in early January this year, the Construction Bank immediately worked out a unified plan requiring all branch banks to conduct general checks on the credit transactions of 1984 and to verify each of the basic figures set at the beginning of the year. They are then required to complete report forms designated by the head office and to determine the causes for the excessive issuance of loans and for the large variations in deposits and loans during December so that any problems detected can be promptly solved.
2. Spot checks: In places where loans were granted in fairly large numbers during 1984, banks at all levels adopted the "going down and inviting up" method to conduct spot checks, in addition to assigning their personnel to cooperate with the local governments and the People's Bank in conducting general checks. The head office dispatched its personnel to Guangdong, Heilongjiang, Hubei, Hebei and Beijing for inspection and on different occasions invited people from Fujian, Shandong, Hunan, Henan, Shaanxi and nine other provinces and municipalities to make monographic reports. Repeated checks were conducted on those localities where more problems had been discovered. For Guangdong alone, the head office has twice sent its representatives down and invited the people up.
3. Readjustment of base figures: Rewards and punishments were clearly spelled out for strict enforcement of discipline. Besides correcting mistakes whenever detected, the head office also took action against those branches which had without authorization raised the base figures and granted loans

beyond the planned limits. Their 1984 base figures were readjusted retroactively and corresponding reductions were made in their credit plans for 1985.

4. Clearcut regulations: In view of the problems detected in 1984 and the early signs of problems in 1985, the main office has specially dispatched four telegrams unequivocally forbidding issuance of short-term loans to specialized banks and regular loans to party or government departments, and calling for a temporary suspension of trust services. To strengthen credit administration and loan control, the main office also laid down specific regulations concerning investment loans for fixed assets, circulating fund loans for the building industry, and temporary loans required by some contracted projects for fulfilling the annual plan ahead of schedule. Strict enforcement of orders and prohibitions and subordination to the overall situation were particularly emphasized.

5. Intensified verifications: To ensure that the loans granted in 1985 will be kept within the limits set by the plan, the banks at all levels were required to take the following actions in credit management:

(1) Examination and approval procedures must be strictly followed, and all readjustments and changes involving deposit and loan indices must be properly documents. (2) A monthly analysis should be made on the credit transactions and any tendency toward an irrational increase must be arrested. (3) The transfer of funds should be controlled in accordance with the approved credit plan. There should be separate accounting at each level, and funds already committed by issuing excessive loans will not be replenished.

Furthermore, the main office explicitly ruled that the falsification of accounts and other fraudulent acts will be dealt with as violations of financial and economic laws.

The efforts made at an earlier stage have created a new appearance for credit management in the Construction Bank, while both vertical and horizontal relations have begun to improve. The concept of credit policy and credit discipline was strengthened among all the comrades in the bank, which should produce positive results in strengthening credit management so that the limited funds can be better controlled and used to promote the reform of the economic structure.

9411

CSO: 4006/757

FINANCE AND BANKING

MEETING OF JIANGSU PEOPLE'S CONGRESS DUPUTIES ON PRICE POLICY

Nanjing XINHUA RIBAO in Chinese 14 Jun 85 p 1

[Article by Chen Yubin [7115 5940 2430] and Gao Yongyi [7559 0737 3085]:
"Strict Enforcement of Price Policy To Ensure Smooth Price Reform"]

[Text] In the morning of 13 June, the standing committee of the provincial congress invited some of the deputies in Nanking to a symposium on the question of price reform, a matter of great concern to the broad masses. Hong Peiling [3163 3099 72707], a vice chairman of the standing committee, presided over the meeting.

The participants at the symposium agreed that in recent years, along with the implementation of the policy of opening the country to the outside world and invigorating the domestic economy, the gradual readjustment of the prices of agricultural and sideline products has shown fairly good results, and that the decision of the CPC Central Committee and the State Council to reform the price system this year marked another important step, since the rational readjustment of prices would give play to various positive factors and improve economic relations. These measures would help clear circulation channels, provide more convenience to the broad masses, and promote the development of production.

The deputies pointed out two problems which deserve attention in the current price reform: First, in the course of readjustment, there have been some normal and some abnormal price increases which led to people's complaints. Second, some people had vague ideas and worries about the price reform and could not correctly understand its significance. The deputies suggested that the government should provide more active leadership over the price reform, exercise closer supervision, strictly forbid unauthorized increases or large increases in prices, and resolutely stop all indiscriminate or disguised price increases. The commercial departments in particular should enforce the price policy and do their part to stabilize the market and prices. Publicity work should be stepped up on the need for price reform, and examples of economic development should be cited. This publicity campaign should be carried out to ensure the smooth progress of price reform.

Vice Chairman Hong Peiling also spoke at the meeting calling on the deputies of the provincial people's congress and the standing committee members at all

levels to enhance their understanding of the situation by carefully studying Premier Zhao's "Report on Government Work" delivered at the 3d Session of the NPC and other relevant documents, and then carry out the work of publicity and education in light of realities of the broad masses; to implement the resolutions on government work adopted at the 3d Session of the 6th Provincial People's Congress and to support and assist the people's government in the price reform; to strengthen control, check-up and supervision of commodity prices and to conduct inspections among the people so that their views might be promptly brought to the notice of the authorities; and to set personal examples in supporting with actual deeds the decision on price reform.

9411

CSO: 4006/770

FINANCE AND BANKING

JIANGSU PEASANTS PAY HUGE INDUSTRIAL-COMMERCIAL TAXES

Nanjing XINHUA RIBAO in Chinese 15 Jun 85 p 1

[Article by Zhou Zhenfeng [0719 2182 0023]: "Jiangsu Peasants Paid 3.5 Billion Yuan of Industrial-Commercial Taxes in Past 7 Years"]

[Text] The readjustment of the rural production structure has created a "gold mine" for the state. In the countryside of Jiangsu where per-capita gain exceeds 1,000 gin, and industry, commerce, construction, transportation and service industries are flourishing, the peasants in 1984 paid to the state more than 1.43 billion yuan in industrial-commercial taxes, 6.2 times the agricultural taxes of the same year and a 2.6-fold increase over 1978. Industrial-commercial taxes have become the "main pillar" of the province's finances.

In the past, contributions from the Jiangsu peasants to the state took the form primarily of agricultural taxes. The readjustment of the rural production structure has changed that situation. According to Jiang Qiwen [1203 0366 3306], director of the provincial finance department, the total amount of industrial-commercial taxes paid by Jiangsu's peasants since 1978 reached 5.38 billion yuan, 3.6 times that of agricultural taxes paid into the treasury in the same period. The taxes paid by the rural areas of 11 cities in the province are now mainly industrial-commercial taxes. In the villages of Jiangyin, Wuxi, Yixing, which belong to the fairly well developed city of Wuxi, each peasant paid an average of about 130 yuan in industrial-commercial taxes, 17 times the average amount of agricultural tax. The main contribution from Jiangsu peasants to the state is no longer in the form of agricultural taxes, but rather in industrial-commercial taxes which have become the main source of state accumulation funds from the peasants. This is a new contribution from Jiangsu peasants in the 1980's.

Jiangsu is an economically developed province. Its gross value of industrial and agricultural output and its revenues occupy the first and the second place in China, respectively. Before 1978, however, agricultural and sideline production was the main feature of the rural economy. The peasants paid to the state only some 300 million yuan of industrial-commercial taxes each year and were by no means well-to-do. The readjustment of the rural production structure has created for the state a "cultivation plot guaranteeing stable output despite drought and excessive rain" in economic development and

revenues. In Jiangsu, the rural production structure reached an important turning point in 1984. The revenues from rural and small town industry, commerce, construction, transportation and service trades increased from 30 percent in 1978 to 56 percent of the total revenues from the countryside. These trades have become the "mainstay" of the rural economy. Rural industrial-commercial taxes were sharply increased to 1.43 billion yuan, 84 percent of the total tax revenues in the countryside, and have become a "major tax." The average income of peasants rose to 447 yuan, an increase of nearly 300 yuan over 1978, and their living standards have improved markedly.

Experiences in Jiangsu have shown that readjustment of the rural production structure is not only a means of creating more wealth for the people, but also the main way to bring prosperity to the country. In 1978-1984, the total state revenues from the countryside of Jiangsu amounted to 6.86 billion yuan, a 1.5-fold increase in 7 years, and 1.4 times more than the state's financial outlay for agriculture in the province. This is a great contribution to state revenues.

9411

CSO: 4006/770

ENERGY

EFFORTS UNDERWAY TO FORMULATE NUCLEAR ENERGY STANDARDS

OW061700 Beijing XINHUA in English 1141 GMT 6 Jul 85

[Text] Beijing, Jul 6 (XINHUA)--China will formulate 1,000 nuclear energy standards in the next 5 years, according to the Ministry of Nuclear Industry today.

They will cover construction and operation of power stations, radiation protection, radioisotopes, and the analysis, transport and packaging of nuclear fuel products.

The Chinese National Technical Committee for Nuclear Energy Standardization was set up in Beijing this week.

Its 100 experts will examine and approve local and departmental standards and plans.

Its president is Jiang Shengjie, director general of China's Nuclear Safety Administration.

Priority will, he said, be given to safety infrastructure, and common standards.

The committee will cooperate with other countries and adapt the latest international standards to Chinese conditions.

China has attended nuclear-oriented activities organized by the international standards organization, and Chinese specialists have cooperated on technology with their counterparts in France, the Federal Republic of Germany and the International Atomic Energy Agency.

China's 30-year-old nuclear industry has 10 working and experimental reactors.

Its large body of specialists includes a 10,000-strong contingent engaged in research, production, and application of nuclear technology.

Radioisotopes, radiation technology, and nuclear testing instruments are used in industry, agriculture, and elsewhere.

Two nuclear power stations are being built, one in Zhejiang Province and one in Guangdong Province; three more are planned in Jiangsu Province, Shanghai, and Liaoning Province in the next few years.

CS0: 4010/155

CONSTRUCTION

CAPITAL CONSTRUCTION QUESTIONS PROBED

Beijing JINGJI RIBAO in Chinese 27 May 85 p 3

[Article by Xue Baoding [5641 5508 7844]: "Several Issues Worth Attention in the Development of Capital Construction"]

[Text] China's national economic development has had several successive good years, as everyone knows. But there are still some problems worth attention. Historical experience has shown that questions of capital construction have implications for development as a whole and relate to the continued stable development of the national economy. Those which intimately relate to creating a favorable environment for economic and managerial reforms include:

1. The question of Overall Scope of Construction: China issued an excessive amount of currency last year. What is at the base of this problem? People have generally noted the excessively rapid trend toward growth in consumer funds in the last few years but have overlooked somewhat the question of the overall scope of investment. In 1984 alone, total investment in large and mid-sized projects surpassed 200 billion yuan (with consideration given to the fact that the average cost overruns for each project was around 15 percent). Given China's current national strength, such a scale of construction is still too large. Calculating the investment in these projects to completion, the construction period is over 8 years. Between 1981 and 1984, capital outlays earmarked totalled 232.8 billion yuan, which is already higher than the 230 billion total projected for the entire Sixth 5-Year Plan. Of this figure, the amount of bank loans accumulated hit 24.8 billion yuan--155 percent of what had originally been decided upon for the Sixth 5-year Plan. It is projected that construction investment in the Sixth 5-Year Plan will exceed original goals by around 85 billion yuan, or 37 percent. Of this, bank loans will be almost double what was originally planned. Moreover, loan accumulation began to exceed 30 percent last year; and this year the figure is even higher. In the past, most of this accumulation was in consumer areas; in recent years, the sum of gross construction loan and gross consumer loan accumulation has been higher than the gross national income. The excessive scale of construction and excessive rate of loan accumulation constitute an invisible threat to the continued stable development of the national economy. Although it may stimulate rapid increases in production over the short term, it may eventually lead to a major setback because

of the imbalance between financial resources and material resources (especially in weak links and short-line products). Haste makes waste and seeking truth from facts are laws which have been verified by practical experience time and again.

The current key to reasonable controls on the overall scale of construction is unified planning of bank loans rather than making them on an ad hoc basis. Moreover, investigation, supervision, and control on how the borrowed funds are used must be strengthened. How prevalent is technological transformation right now among enterprises that have borrowed funds, and how prevalent is use of such funds instead for new or expanded construction? Can such an overall scale of construction be reduced? The State Planning Commission is now in the process of planning for investment in the Seventh 5-Year Plan, and the State Economic Commission is making investment plans for technological transformation. Will borrowing from banks be synchronized with these plans? Performance results on the Sixth 5-Year Plan have been far off the mark; and the overall scale of construction is out of control.

2. The question of the Scale of Construction Projects: There has long been a tendency in economic construction to view projects which are bigger as projects which are more economical. Average investment for large and mid-sized projects in the latter part of the Fifth 5-Year Plan was about 180 million yuan. In the latter part of the Sixth 5-Year Plan that figure had exceeded 330 million yuan. Even given such factors as changes in the make-up of technology for projects, this reflects a tendency toward projects of a larger scale. So-called "scale economics" is just a static research technique if it only attends to the project itself. Such a static research method may lead to the one-sided conclusion that "the larger a project is, the better." A big project begun in the steel industry left little room for maneuver elsewhere and had an impact on transformation in many other enterprises. Speaking particularly of this project, such a large scale was not necessarily the most economical scale. If modernized techniques are utilized to circulate technology, many projects can be cut back. Continuous casting and rolling of steel eliminates the need for preliminary rolling. Wet forging [xijiao 33, 3542] eliminates the need for dry forging. Plant site selection questions are even more numerous. If well done, two large ports can save between themselves one port construction project. Such suggestions are both incomplete and at the same time go without saying. But the lessons of experience--like suggestions from foreign friends to engage in feasibility studies--fall on deaf ears. This is all worth noting and remembering. On some copper sites, all large equipment from stripmining equipment to smelting factories is imported, and there is a dearth of research on how to integrate links with China's own machinery industries. Another example is the ultralarge hydroelectric engineering project for which the departments concerned have conducted appraisals, but those appraisals lack thorough incorporation of such questions as the ability of the national economy to handle the project, compensation for areas flooded, ecological balance, navigation, and method of turning generating potential into electricity which were considered in the case of Egypt's Aswan Dam. Thus, a dynamic and comprehensive study of the economics of

scale should take into consideration such questions as the overall national economy, integration with the domestic machinery industry, and the economic and technological policies of the enterprise. It cannot focus merely on the one project. Such work cannot necessarily rely solely upon specialized sectors if it is to be done well; instead there must be integrated feasibility studies by the general departments under the State Council and no loosening of our grip on macroeconomics.

3. The Question of the Relationship of the Seacoast to the Interior:

This is at once an old issue and a new one of the new period, and has meandered in various directions over the past 30 years. In the fifties, utilization and transformation of old seacoast bases was ignored. From the "Great Leap Forward" through the "Full Blooming" of the sixties, each province tended to its own industrial house. Nor were the policies of the seventies able to bring about an integration of production capabilities. The relationship of the seacoast region to the interior has major strategic significance. If it is ill-managed, the damage to economic development may take ages to redress. To construe the relationship between the two according to a "tiered evolution theory," by which "evolution" is taken to mean a conduction model wherein the seacoast is developed first and development then spreads to the interior, may be one-sided. What should now be encouraged is a radial model whereby whenever technological development radiates outward, economic development should radiate outward as well. Most of China's resources lie in the interior; and if they are to be exploited and built upon in support of the seacoast region so that the latter will then have the back-up and logistic support it needs, then "tiered evolution" must not be analyzed or implemented mechanically or be divorced from reality.

For this reason, the relationship between seacoast and interior can be neither "flowers blooming everywhere" nor "tiered evolution." The model, rather, should be a radial one, with everything from raw material exploitation to production technology for major products being coordinated with the interior. For heavy industry, this can be through long-haul transportation; in the case of light industry--except for paper manufacture and sugar--local processing and local consumption should be based on local markets and local sources of supply as much as possible, with short-haul coordination of transport. The major reason why the situation is now so tight in the interior is that farm byproducts and common industrial goods must be placed on rail. This fact, complicated by the process of back-and-forth movement as in the case of production materials travelling between the seacoast and the interior, which has been influenced by reselling and repurchasing which tax transportation capacities, means that this problem must be quickly resolved.

4. The Question of Regional--and Especially Provincial--Planning:

Each province is entitled to divide itself into various lower strata economic regions based upon its own economic and geographical conditions. Plans call for each such economic region to be delineated in accordance with geological and topographical features and the natural resource situation--especially with regard to water supplies--which must be clearly understood by seeking truth from facts. Creating a solid foundation for national

construction projects is of the utmost importance. Some of the new apartment and hotel projects have had good results because of overall responsibility for the project by a design institute for the construction period and construction quality. A good lesson has been learned by reforming the old practice of always shifting parties from within management. But water usage in some buildings is excessive because of overdesign of bathroom and kitchen facilities, and the water shortage in the dozen or so northern provinces in the dry northern region has already become a major problem. Baiyangdian Lake water levels are receding by the day due to dams upstream and removal of water downstream at various points. Some oilfields now rely on water brought in from elsewhere. There is also the question of exactly how much water can be transported in projects to move water from south to north. Without detailed regional planning and a supply of accurate data, given these problems, in the future it may be difficult to maximize economic returns without a whole range of construction projects; and there may even be dire consequences.

5. The Question of Enterprise Planning, Including Make-up of the Enterprise and Technological Policies, Is a Major Weak Link in the Planning for Capital Construction: Several dozen production lines for color televisions and over a hundred lines for bicycles have been set up around the country, along with a host of others for electric fans, washers, and toothpaste factories. Now, in addition, refrigerators are in style. But as yet there is still no scientific entrepreneurial planning for production and need or supply and demand relationships. Things always seem to be done blindly. If in our planning work we pay attention to the number of projects and the amount of investment but ignore the make-up of investment, technological policies, and market demand for these projects, or if we fail to research the existing productive capabilities and historical features which are to be found in the more than 400,000 existing old enterprises, then construction will not be able to fully improve society's return on its investment.

The various problems mentioned above must be well-managed in major respects in the course of finding a solution to the reform of the basic construction management system. Only thus can we move on to study how to expand investment decision-making capabilities for enterprises, how to revitalize the design, construction and material supply of capital construction, and how to reduce project construction periods, lower construction costs, and upgrade construction quality. And only thus can China's capital construction develop in a healthy and effective fashion.

12303

CSO: 4006/664

26 August 1985

CONSTRUCTION

BRIEFS

JIANGSU IRON MINE CONSTRUCTION ACCELERATING--Construction is speeding up on Jiangsu's new mine site, the Weigang Iron Mine in Zhenjiang. Weigang is the Site where, under the leadership of Comrade Chen Yi during the early part of the Anti-Japanese War of Resistance, the new Fourth Army went forward to its first victory. The region is rich in iron deposits. At present, the construction of shafts and tunnels is approaching completion. Three of four vertical shafts are finished and three horizontal tunnels have been dug 8 kilometers. Elevator, ventilation, drainage, and electrical supply systems are in place. Surface facilities and coordinate projects being constructed in connection with the mine have been turned over for use, and groundwork for the ore dressing plant which is the prime project at the mine is now underway in the vicinity of the primary shaft. According to a briefing by the site manager Luo Ying [5012 3841] the Weigang Mine should be fully completed and operational in 1987. At the present time, workers are involved both in construction and in exploiting the shallower recesses of the mine, which will be supplying the nation with 50,000 tons of iron ore annually. [Text] [Nanjing XINHUA RIBAO in Chinese 4 May 85 p 1] 12303

CSJ: 4006/664

FOREIGN TRADE AND INVESTMENT

BRIEFS

PRC-FRG SLAUGHTERHOUSE JOINT VENTURE--Annuss Fleisch KG, Niebuell (North Frisia)--The first German-Chinese joint venture in the agrarian sector, "China Annuss Meat Ltd." founded in May, has now been officially confirmed by the Chinese government. Near Beijing the Chinese will build a large slaughterhouse with cold storage facilities for this company in which the leading German meat processing firm, Annuss, and the China Generalcorp. [as published] for Animal Husbandry and Commerce in Beijing are involved. Investments in the facility, which is to have the capacity to slaughter 30,000 head of cattle and 100,000 sheep annually, is said to be DM 11 million when converted into German currency. Start-up should be in September 1986. The company is to have a German manager and a Chinese chairman of the board. Heinz Annuss, who operates 15 slaughterhouses and large-scale meat distributorships in Germany, will be the deputy chairman of the board. If this cooperative effort is successful, the construction of a second slaughterhouse with the capacity to slaughter 220,000 swine will begin by 1987 at the latest. [Text] [Frankfurt/Main FRANKFURTER ALLGEMEINE in German 26 Jun 85 p 15] 12552

CSO: 4520/46

LABOR AND WAGES

CHINA'S FINANCIAL TRADE UNION REPLACES BANKING TRADE UNION

Beijing GONGREN RIBAO in Chinese 5 Jun 85 p 1

[Article by He Hua [0149 5478]: "The National Banking Trade Union Becomes the China Financial Trade Union; Basic-Level Financial Trade Unions Hold Experience-Exchange Meeting in Luoyang"]

[Text] In order to strengthen the work of the basic-level trade unions of the financial system, recently, the China Financial Trade Union (formerly National Banking Trade Union) convened an experience-exchange meeting on the work of the basic-level trade unions in Luoyang, Henan. At the meeting, it was proposed that the trade union organizations of the financial system must properly emphasize the ideological training and organizational building of the trade union cadres, so that they will bring their role into full play in the reform.

In the last few years, the various provinces, municipalities and autonomous regions in our country have successively set up banking trade unions. Many basic-level trade unions have adopted such methods as running classes and training during conferences to carry out training of new cadres. Consequently, the broad masses of cadres have adopted the attitude of ardently loving mass work and have obtained many good experiences through the reality of the bank. At this conference, several dozen units, including the Fujian Branch of the Industrial and Commercial Bank and the Hunan Wangcheng County Branch Bank of the Agricultural Bank, exchanged their experiences in such areas as organization and restructuring, building "homes for staff members and workers," bringing into play the role of the trade union and the congress of staff members and workers in the reform, and improving the "two qualities" of the staff members and workers. The attendants at the conference also studied such issues as how the trade union will give prominence to its industrial characteristics in the future and exercise its role in the reform as well as how to further strengthen the trade union itself.

Wang Shenxiang [3769 3947 6116], secretary of the Secretariat of the All-China Federation of Trade Unions, and Li Fei [2621 7378], vice president of the People's Bank of China and concurrently chairman of the Work Committee of the China Financial Trade Union, attended the conference and delivered speeches.

Recently, the All-China Federation of Trade Unions decided to change the Work Committee of the National Banking Trade Union into the Work Committee of the China Financial Trade Union, which will become an industrial trade union under the financial system. The problems in establishing financial industrial trade unions in various provinces, autonomous regions and municipalities directly under central jurisdiction will be discussed and defined by the various provincial, municipal and regional federations of trade unions together with the party organizations of the local people's banks and the party organizations of the various specialized companies, consistent with the spirit of the relevant documents recently issued by the All-China Federation of Trade Unions.

9335

CSO: 4006/740

LABOR AND WAGES

TRADE UNION'S POWER TO PARTICIPATE IN MANAGEMENT DISCUSSED

Beijing GONGREN RIBAO in Chinese 5 Jun 85 p 3

[Article by Han Guiyou [7281 6311 0645], Chairman of the Trade Union of the Changchun No 1 Automobile Plant: "Highly Value the Trade Union's Power To Participate in Enterprise Management"]

[Text] The power of the trade union and the delegates of staff members and workers to participate in enterprise management is an important power which the party Central Committee designates to the trade union and the masses of staff members and workers. Every trade union worker must highly value this power, exercise this power properly, and work hard to run the socialist enterprise well.

The trade union must actively strive for the power which the party and state have clearly conferred upon the masses of staff members and workers. This does not mean ordering people about for the union's purposes or contending with administration for the power of commanding production. Rather, this is for the purpose of letting the staff members and workers run their own affairs and work together to run the enterprise properly. Currently, the party and government leadership generally supports the trade union in striving for its power to participate in management. In actual work, the key lies in whether or not we know how to use this power. For instance, in the distribution of housing for the staff members and workers, a few years ago when management handed the power over to the trade union, some trade union presidents personally took command in organizing delegates to distribute housing. They became caught up in the concrete work of housing distribution, which affected the other aspects of trade union work. Some other trade union presidents adopted the method of "supervision with power in hand and mediation without delay." On the one hand, they organized delegates of staff members and workers to set up a housing distribution group to carry out concrete distribution. On the other hand, they assisted in the formulation of programs to supervise implementation in concrete distribution and to handle all kinds of problems which might occur. This way, they not only exercised the power of housing distribution but also grasped the direction of housing distribution.

I maintain that, in the course of using the power that the party Central Committee has conferred on the trade union, we must establish a correct position and handle well the three relationships.

1. Correctly establish the relationship between the trade union organization and the congress of staff members and workers. The trade union and the congress of staff members and workers are different organizations which have a basically similar mission in an enterprise. We have from beginning to end persevered in the principle of "integrating work," which means, organizationally, we must insist that the working organization of the trade union should shoulder the various functions of the congress of staff members and workers. Recently, we have restructured the former seven departments and two offices of the factory trade union, making them into five committees in charge of democratic management, production development, livelihood of staff members and workers, propaganda and education, and women's work. These committees not only shoulder the tasks of the special work committees of the congress of staff members and workers and strengthen the work of the latter, they also integrate the promotion of various trade union business activities with various activities involving democratic management, thereby invigorating union work.

2. Handle properly the relationship between relying on the leadership of the party committee and bringing conscious activity into play. We do affirm the leadership of the party committee over the trade union and the congress of staff members and workers. However, the trade union must absolutely not rely on the party committee in all matters. Our ways of doing things are: First, make propositions actively, give suggestions frequently, and act as counselor to the party committee. Second, present reports at fixed intervals and independently shoulder the responsibility for organizing and implementing daily democratic management with the consent in principle of the party committee. Third, act as supervisor and reminder, act according to regulations, and implement the various regulations of the congress of staff members and workers without delay and in an all round manner.

3. Handle properly the relationship between administrative command and democratic management. The purpose of the participation in democratic management by the trade union and the congress of staff members and workers is to supervise and assist administration in strengthening enterprise management. Thus, oftentimes, contradictions between administration and the trade union occur easily. In particular, with the deepening of the economic reform and the expansion of the power of the factory head, this contradiction sometimes can become obvious. However, the position of the factory head as a public servant has not changed, nor has that of the staff members and workers as the masters. The trade union organization must handle properly the relationship between centralized command by administration and democratic management by the staff members and workers, and should play the role of liaison between the factory head as the lawful delegate and the staff members and workers as the masters. Our principle regarding the work of the factory head is to proceed from the angle of support, protection, guarantee and supervision, actively coordinate with the factory head as best we can and adopt all kinds of measures to assist him in understanding the masses' opinions and improving work accordingly. At the same time, we should frequently explain to the staff members and workers the factory head's difficulties as well as the variety of situations in work. This way, we can mobilize the staff members and workers to pool their wisdom to give suggestions to the factory head and can enable the broad masses of staff members and workers to understand his difficulties. This

year, our factory is faced with the arduous task of having to realize model conversion and transformation while not stopping production. On the one hand, we have instituted merit competition on a wide scale throughout the factory and have advanced rational propositions for carrying out technological transformation. On the other hand, we have organized the staff members and workers to give counsel and assist the factory head in perfecting the plan for the factory. The staff members and workers have successively put forth over 2,360 propositions. The factory head has attached great importance to these propositions and has organized relevant departments to carry out analysis on them one by one. Most of these propositions have been adopted.

I believe that as long as we pay attention to handling properly several relationships, as long as "the leadership of the party committee does not run the whole show, the factory head does not carry out arbitrary commands, and democratic management is not scattered," we will be able to create a lively political scene very rapidly.

9335

CS0: 4006/740

TRANSPORTATION

NINGXIA'S LI XUEZHI HEARS REPORT ON CONSTRUCTING HELAN SHAN HIGHWAY

HK290615 Yichuan Ningxia Ribao in Chinese 12 Jul 85 p 1

[Report by Regional Transport Office: "Regional Leading Comrades Li Xuezhi and Others Listen to the Report on Preparations for Constructing the Helan Shan Highway"]

[Text] The leading comrades of the autonomous region have attached great importance to the construction of the Helan Shan highway. Recently, Li Xuezhi, Hei Boli, Liu Guofan, and Wang Yanxin listened to the report on preparations for constructing the Helan Shan highway made by the responsible comrade of the regional Transport Department and issued clear instructions on the relevant issues.

There is only one highway, the Baotou-Lanzhou highway, running from North to South in our region. At present, the highway has "extended its service" and has been overloaded for its capacity. This situation no longer conforms to the needs of our regional economic development. Building a highway along the east of Helan Shan will provide our region with a second transport route running from North to South and will reduce the pressure on the Baotou-Lanzhou highway. Comrade Li Xuezhi pointed that in order to build this highway, the regional government should organize the young and middle-aged people in the mountainous area to do the construction work so as to help the poor. The regional government should take over land for use strictly according to the state rules and regulations without attaching any additional conditions and should educate the peasants, the factories, and counties in that area to make contributions to the construction of the highway. The regional government should try to complete the construction of the highway in 1988 and make it a gift to the 30th anniversary of the founding of the autonomous region. Comrade Wang Yanxin suggested to the Transport Department that it should leave some room along the highway when designing its construction to make things convenient for the future expansion and reconstruction of the highway. After inspecting the area where the highway will be built and listening to the report, Comrade Liu Guafan pointed out that the report made by the Transport Department is feasible, the regional Planning Commission should approve the construction plan as soon as possible, and the regional Finance Department should take into consideration the funds needed for the construction of the highway in calculating energy and transport expenditure so as to try to start the highway construction on 1 September this year.

TRANSPORTATION

CONSTRUCTION OF SHENYANG-DALIAN HIGHWAY REPORTED

Beijing GONGLU [HIGHWAY] in Chinese No 3, 25 Mar 85 p 20

[Article by Han Bin [7281 2430]: "The Shenyang-Dalian Highway Will Be Built into an Expressway"]

[Text] The Shenyang-Dalian First Class Highway is presently under expansion. As of this year, construction is formally carried out according to the technological criteria for expressways. The Shenyang-Dalian Highway begins at Shenyang and ends at Dalian. It is an economic artery that runs through such large cities as Liaoyang, Anshan and Yingkou in the central-south part of Liaoning Province. The transformation project formally began in June last year. At that time, due to funding restrictions, transformation into a first class highway was carried out temporarily. Presently, in order to meet the needs of the development of a commodity economy of the whole province and the new situation of the opening of the Dalian economic and technological development zone, the Liaoning Provincial People's Government has carried out comparisons and demonstrations on five expansion programs and has decided to carry out construction of the highway according to the criteria for expressways. Construction is to be completed in one project. At the same time, it has decided to increase our provincial highway maintenance fee criterion from 85 yuan to 105 yuan as of 1985. The increased portion will all be used in the building of the Shenyang-Dalian Expressway.

The Shenyang-Dalian Expressway is 388 km in length. With the exception of 16 km of first-class highways in the suburbs of Shenyang and Dalian, the remaining 372 km are all expressway. The road foundation is 26 meters wide, with high-grade asphalt concrete road surface. The designed speed limit is 80 to 120 km. The direction of the route is from north to south, west of the Changsha-Dalian Railway. It is away from the cities, is straight, and is 34 km shorter than the original route. It is estimated that the entire route will be completed by 1990. The gross investment will be roughly 2 billion yuan. The construction of the major projects will be carried out by implementing open bidding. Some projects will be carried out through foreign contracts. Tolls will be collected upon completion.

After its completion, the Shenyang-Dalian Expressway not only will be the trunk line of the radiating network of highways of the northeast region, but will also be the longest expressway in the country at present. It will be

able to handle five times the present transportation volume of the Shenyang-Dalian Railway. The operating time of the entire route will be half that of the former Shenyang-Dalian Highway. The freight transport cost will be lowered by 40 percent. It will play a major role in the economic takeoff and realization of the task of quadrupling the gross value of industrial and agricultural output value ahead of schedule in Liaoning Province.

9335

CSO: 4006/689

TRANSPORTATION

HAINAN HOLDS MEETING ON HIGHWAY PROJECT

HK250554 Haikou Hainan Island Service in Mandarin 0400 GMT 21 Jul 85

[Excerpts] A meeting to review the report on the feasibility study of building the east line of the round-the-island road on Hainan Island concluded in Haikou on 20 July. The meeting affirmed the importance of building the east line of the round-the-island road and decided to spend 5 years from 1985 building this road to meet the needs of the development and construction of Hainan.

This meeting was presided over by the Guangdong Provincial Communications Department. Wang Zhanyi, vice minister of the Ministry of Communications, attended the meeting by invitation. Attending the meeting were responsible persons of the General Office of the Ministry of Communications, the Highway Bureau, the Planning Bureau, the Highway Planning and Design Institute of the Ministry of Communications, the Guangdong Provincial Economic Committee, Planning Committee, Construction Committee, Foreign Trade Committee, Committee of Foreign Economic Relations, the Road Bureau of the Provincial Communications Department, the Road Design Institute, the Road Traffic Research Institute, and the Road Construction Company and experts on roads. Meng Qingping, responsible person of the Hainan Administrative Regional People's Government; (Li Anbing), head of the autonomous prefecture; and responsible persons of the Hainan Regional Economic Committee, Planning Committee, and Construction Committee, and all counties and cities along the east line of the road also attended the meeting.

During the meeting, the representatives listened to the report made by the Highway Planning and Design Institute of the Ministry of Communications and the Hainan Road Bureau on the feasibility study on building the east line of the round-the-island road on Hainan Island. They conducted on-the-spot investigation of the east line of the Haikou-Yulin road and discussed the problems of the present situation in the volume of traffic, of the potential volume of traffic on the new line, of the prospects for traffic, of the technical standard of the project, and of the line.

Wang Zhanyi, vice minister of the Ministry of Communications; (Hu Taoyi), vice chairman of the Provincial Economic Committee; and Meng Qingping, responsible person of the Hainan Administrative Regional People's Government, respectively delivered speeches.

The meeting held that in recent years, Hainan Region has implemented the principle of using the policy of opening to the outside world to promote exploitation and all aspects of exploitation and construction work have progressed very quickly. The meeting held that in social economic development in the Hainan Administrative Region, to meet road traffic needs building the east line of the round-the-island road of a higher standard is an important fundamental facility which is indispensable to the take-off of the Hainan's economy. The east line of the road will pass through Qiongshan, Dingan, Qionghai, Wanning, and Lingshui and into Sanya City. The distance from Haikou City to Sanya City will be some 40 kilometers shorter than the original road. The total amount of investment in the project will be under 200 million yuan and the sources of the capital will be resolved by the principle that the state will provide a portion, the provincial authorities will appropriate a portion, and the locality will raise a portion. It was decided that the second phase of the project will start in 1987 and will be completed in 1991.

The meeting demanded that from now on, all departments concerned in Hainan Region must start all preparatory work so that the project can be started on schedule.

CSO: 4006/824

TRANSPORTATION

READJUSTMENT OF TRANSPORTATION STRUCTURE DISCUSSED

Beijing GONGLU [HIGHWAYS] in Chinese No 3, 25 Mar 85 pp 1-3

[Article by Lin Xiangwei [2651 4382 1218] of the Hunan Provincial Communications Design Institute: "It Is Imperative That We Readjust the Communications and Transportation Structure"]

[Text] Recently, the newspapers and radio stations have reported the situation of shortage in railway passenger transportation and certain measures on limiting travelers and on prohibiting such malpractices as speculation involving train tickets. These are only temporary measures. The flow of individuals and the flow of materials are the necessary products of a commodity economy. If we want "a smooth flow of goods and convenience in travel for people," we must develop commerce and communications. Like harnessing water, we can only "dredge" and not "plug up." In recent years, China has experienced constant shortages in coal transportation, passenger transportation and harbors. This is primarily because of the longstanding disproportionate development of communications and transportation on the one hand and the the national economy on the other; we have emphasized industry and slighted communications. Due to an irrational internal structure in communications and transport, we have emphasized railways and for a long period of time neglected the development of water transport, highways and civil aviation. As a result, we have failed to fully exploit the strengths of the various means of transportation. One important factor for the shortage in communications and transport is the excessive burden of railways and the failure to make proper use of the superiorities of highway and water transport.

In 1980, the per-capita Gross National Product (GNP) in India was \$230, and yet its per-capita travel mileage was already 678 km (1977 figures). In 1980, our per-capita GNP was \$270, and yet our per-capita travel mileage was only 232 km. In that same year, each person in India rode on a train an average of six times a year. In 1980, China's railway passenger transport totaled 920 million people, an average of less than once per person. Furthermore, this was under the circumstance of a seriously excessive number of passengers. At the large stations such as those in Beijing, Shanghai and Guangzhou, people could not help but sigh: "It is so difficult to be on the road" because of the difficulty in getting tickets and in waiting for trains! Some people say that communications is an explosive issue. This is really not alarmist talk. Last

year, seven ministries pulled together a group of scientific research personnel to carry out investigations and research on 22 issues. The results indicated that it was necessary to rationalize the communications and transportation structure. If we rely only on railways, we will not be able to handle the situation of passenger transport even if we operate only passenger trains. This is the extent of the shortage in passenger transportation. The failure to transport coal out of Shanxi, Sichuan and Guizhou has resulted in the shortage of coal in the coastal regions. For one ton of coal shipped to the coastal region, we can create several thousand yuan in industrial output value, which can mean 100 yuan in foreign exchange when exported.

In modern or ancient times, and in China or elsewhere, communications must blossom before economic development. We can draw sufficient lessons from the path taken by the advanced countries. The development of commodity production is inseparable from communications. The circulation process generally constitutes 50 percent of the commodity value. Of this, commerce constitutes 25 percent, communications and transport 15 percent, and storage and packaging 10 percent.

Communications is the weak link in the entire country. Hunan is no exception. Hunan has resources, a mild climate, abundant rainfall and sufficient sunshine. It has 74 nonferrous metals, ranking first in China. Its tungsten, uranium and stibium mines rank first in the country. However, an important factor as to why Hunan's GNP is so low is its weak communications. Just as premier Zhao Ziyang said on his inspection in Hunan: "The commodity economy has already developed. We must have communications and transport. Energy and communications are two factors. The first is communications, and the second is energy." Objectively, we ask for an industrial structure that enables the three major industries to develop in harmony. We ask for the development of small towns and the development of village and township and collective industries as well as various categories of specialized households. We ask for the development of the tertiary industries (commerce, transport and marketing, transportation, tourism, service trades, and cultural, educational and health causes). Of these, commerce and transportation constitute a large percentage. In the advanced countries, tourism and the service trades also constitute a considerably large percentage and therefore incorporate a large percentage of the employed population.

In the realm of energy, we should fully utilize Hunan's water resources. When the reservoir capacity is inadequate during the dry season, we can pump the surplus water from the flood season up to be stored for use during the dry period. We should use the method of "regulating the peaks" to solve part of the problem before supplementing with thermal power. If electricity supply to the factories is not stopped, an increase of 5 billion yuan in output value can be achieved every year. We must therefore solve the problem of coal transport. In terms of economic priorities, I agree with the promotion of the "three small energy projects" (small hydroelectric power stations, small thermal power plants and small coal pits) first. We should fully utilize the superiorities of the mountain regions and convert the scattered and natural production of a superb collection of forestry sideline, native and special products to large-quantity and concentrated commodity production. We should conduct the crop-growing and breeding industries on a large scale, "read the

classics on nature and get rich on the five undertakings." These are all undertakings which involve little investment, fast results and high economic and social results. However, the prerequisite is still the solution to the problem of communications.

I maintain that currently there are the following three prominent problems: (1) Our communication infrastructures are too poor; (2) our transportation vehicles are backward; and (3) our management level is low.

In light of the demands of national economic development, our five means of transportation--railways, highways, water transport, civil aviation and pipelines--are all inadequate. The structural problem within communications and transport is primarily manifested in the excessive burden placed upon railways. We have failed to properly exploit the respective superiorities of railways, highways, water transport and civil aviation. The superiority of the railway is the ability to shoulder the heavy responsibility of bulk long-distance transport involving coal, mineral ores and construction materials. However, roughly one-fourth of all railway freight transport at present involves distances of less than 100 km. The transportation capacity assumed by each individual train is equivalent to three ordinary freight trains. Short-distance freight transportation is a losing proposition for China's railways. If motor vehicles and water transport can share this load, the railways will have more transportation capacity for transporting long-distance cargoes.

Passenger transport, too, is not one of our strengths. Calculations show that the rail transport of every passenger is equivalent to 3 to 5 tons of freight transport capacity. However, highway passenger transport involves much less (about 0.12 tons). The energy consumption and cost of each person-km is roughly the same as for railway. However, in terms of the economic results of passenger transport capacity, the investment in highway passenger transport is only one-third that of the railway. Currently, on China's busy railway trunklines, passenger transport generally constitutes 40 to 50 percent of capacity. Furthermore, the rate of growth of passenger transport is much faster than that of freight transport. The contradiction in the competition between passenger and cargo is extremely acute. Obviously, the sharing of short-distance passenger transport by motor vehicles and water transport will greatly liberate railway freight transport capacities and improve economic results. Henan Province has vigorously developed motor vehicle passenger transport with remarkable results. There is convenience for the travelers, time is shortened, ticket prices are comparable, and the masses are satisfied. By bringing into play the superiority of highway passenger transport, railway freight transport capacity correspondingly increases. If the concerned provinces and municipalities can all vigorously develop motor vehicle passenger transport to share the passenger load of the railways, they will ease the tension in coal transport. In the last 3 years, our country's highway freight volume has been increasing at an average annual progressive rate of over 10 percent, and our highway passenger volume at 19.1 percent. The scope of this growth has far surpassed that of industrial and agricultural production in the corresponding period. In Hunan Province, the situation has been roughly the same.

The presence of an irrational transportation structure is also a significant problem in Hunan Province. The freight turnover fulfilled by the railways constitutes 59 percent of the gross volume of turnover in 1950. This reached 90.8 percent by 1980. The percentage of water transport fell from 40 percent in 1950 to 7 percent in 1980. The percentage of highway freight turnover, however, has fluctuated between 1 and 3 percent in the last 30 years, and has not held a decisive position. In the 30 years since the 1950's, the highway transportation cause of the advanced countries in the world has developed by leaps and bounds and has become the most important means of transportation.

Because of the negligence of water transport, Hunan's navigable riverways have shrunk from 17,098 km in the 1960's to 10,181 km. The percentage of transportation volume in the gross volume has dropped from 64 percent in 1950 to 27 percent in 1980. The harbors and stations have simple and crude facilities. The whole province has four rivers and one lake with 285 tributaries that link up 74 counties. But these superiorities in water transport have not been exploited.

Although there are 55,289 km of highways, these highways still fail to meet the needs of the development of the commodity economy. More seriously, most of the highways have low standards and poor road conditions and fail to competently shoulder the daily growing pressure of heavy traffic and increasing number of heavy vehicles. This is a necessary trend of development. Only by vigorously improving the passage capacity of the roads and improving highway quality can we improve the economic results of motor vehicle transport and enable it to meet demand. With the implementation in depth of the spirit of the 12th CPC Congress and the development of a commodity economy, circulation has been accelerated, urgently requiring a solution to the problem of transportation. State-run, collective and individual communications are developing in a multilevel direction. Hundreds of cars are competing to be issued and hundreds of boats are competing to float down the rivers. If we do not promote the communications infrastructures without delay, we will bring about a state in which "the vehicles cannot move because there are too many of them and the boats cannot move on the water because there are too many of them." When transport efficiency is low, materials are stockpiled and destroyed. This will affect production enthusiasm and economic development. At the same time, traffic accidents will increase. Every year, some 170 to 180 people per 10,000 cars are killed in traffic accidents, several dozen times more than Europe and the United States, which is 3 to 5 deaths per 10,000 cars. Compounded by the waste in energy, the losses are astounding.

In terms of economic priorities, it is still possible to emphasize several matters in the structural readjustment within communications in Hunan currently:

A. Improve the Quality of the Communications Infrastructure.

1. In light of the needs of the development of freight volume, raise standards for highway trunk lines, including the station facilities. Sichuan and Anhui provinces have done down-to-earth work with respect to implementation of the directives of Secretary-General Hu Yaobang and Premier Zhao Ziyang on

communications work. After the leadership of the Sichuan Provincial Communications Office had accompanied the provincial party committee secretary on an inspection tour to eastern Sichuan, the provincial party committee gathered the provincial leadership at various levels together to listen to a report given by the communications office. Important decisions were made accordingly to mobilize civilian participation in construction to widen the trunk highway lines, the widest being 12 meters, with 3 meters of shoulder on both sides buried with boundary stones. An average of 5,000 yuan in subsidy for every km is given. In addition to completing the earthwork for the road foundation, some counties in Sichuan have also laid sand and stone road surfaces. The province will make loans and investment in road maintenance for the tar-coating of road surface and the transformation of bridges. Sichuan Province has also stipulated that the communications enterprises should put their surplus income back into communications. One-third of this will be used for highway construction. Every year, 200 million yuan in loans will be taken out for building highways. Anhui has also implemented civilian participation in construction in widening the trunk highway lines.

2. The focus of the harnessing of the shipping routes should be the network of deepwater shipping lines in the middle and lower reaches of the four rivers. This includes harbor and warehouse construction, which require loans and investment. We should develop the tributaries in a comprehensive manner, utilize water resources and integrate shipping, power generating and irrigation. We can trial-implement the method of "boosting shipping with electricity generation, and harnessing the river with electricity generation."

The above are the effective experiences which the fraternal provinces have already obtained. Hunan can extend those experiences too.

B. Renew Transportation Facilities.

1. It is not economical to use 4-ton gasoline trucks for long-distance transportation. We must eliminate them quickly, and gradually develop heavy-duty diesel trucks. In passenger transport, we must develop the safe, comfortable, energy-efficient and fast large passenger buses. With the widening of the highway and improvements in road surface conditions, most trunk lines can handle 8-ton or 15-ton medium trailers and heavy-duty trucks. To meet urgent needs, we can first import some large passenger buses, and remodel other large passenger buses with the Huang He chassis.

2. With improvements in water transport and expansion of shipping tonnage, we should develop sectional barges and speed up the transformation of ships.

3. sources of funds: We can consider (1) the full recovery of the technological labor and materials fees and depreciation fees; (2) loans; and (3) increased enterprise profit retention.

C. The Effectiveness of Reform Can Only Be Measured by Economic Results.

1. There must be separation of government and enterprise. Reform is not moving the location of an organization or changing "mother-in-laws," nor is it a repetition of "the recall of power to the higher level" or "the transfer of

power down to the lower level." The essence is "loosening the ties" and "transferring power downward." We must truly be able to transfer manpower, financial and material resources downward. We must let the undertakings and enterprises bring their vitality into play, mobilize the enthusiasm and creativeness of staff members and workers, and enable the productive forces to develop on a large scale.

2. The enterprise itself must be able to employ creative personnel. Just as Premier Zhao pointed out on his visit to the Beijing Textile Printing and Dyeing Factory, we must not only have one factory head (manager) but a group of people as our core group for development. We must reform the system of employment, establish a technological and economic contract responsibility system, and reform the method of business management.

3. The departments should focus on macroeconomic control, principles, policies, planning, management of trades as well as rule by law. They must control what should be controlled. "Control" is not equivalent to "ruling." For instance, the specialized transportation households are continuously developing. We must support and manage them and channel the surplus funds of the peasants into the normal path of production--the development of communications and transport. This is a good thing. However, we must assist the specialized households in solving such problems as the sources of vehicles and fuel, the training of drivers, inspection, safety, education and operational management. Having enhanced positive management, we will be able to eradicate the malpractices of deviating from the correct path. We can use as our reference the establishment of a peasant individual transportation association in Hubei Province and other management methods.

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TRANSPORTATION

CHANGES, PROGRESS OF CHINA'S RAILWAY NETWORK REPORTED

Changsha JINGJI DILI [ECONOMIC GEOGRAPHY] in Chinese No 1, Feb 85 pp 11-16

[Article by Zhang Yangming [1728 7122 2494] of the Planning Institute, Ministry of Railways: "Changes and Progress in the Overall Layout of China's Railway Network"]

[Text] China's first railway was built in 1876. By 1949, 73 years later and prior to the founding of new China, only 22,000 km of railways had been built, but because of war only 11,000 km were actually in operation. These railways had simple and crude facilities with mixed and disorderly standards as well as poor transportation capability. Also, the railways were distributed only in the northeast and the area east of the Beijing-Guangzhou line (see Table 1).

Table 1. Railway Network Density and Completed Freight Volume Per Major Geographical Region

各大区铁路网密度及完成货运量情况							
表 1							
(1) 地 区	1983年铁路 网密度公 里/百平方 公 (2) 里	(3) 营 业 铁 路 里 程				1983年完 成 货 运 量	
		(4) 1949 年		(5) 1983 年		(8)	
		里 程 (6) (公里)	占 全 国 7 比重(%)	里 程(公里) (6)	占 全 国 比 (7) 重(%)	货运量(亿吨) (9)	占 全 国 比 (7) 重(%)
(10) 全 国	0.53	21,810	100	51,604	100	11.61	100
(11) 华 北	0.70	4,675	21.4	10,322	21.0	3.35	28.9
(12) 华 东	0.90	3,636	16.7	7,465	14.5	2.01	17.3
(13) 中 南	0.83	3,568	16.3	8,376	16.2	1.81	15.6
(14) 西 南	0.25	733	3.4	5,892	11.4	0.79	6.8
(15) 西 北	0.23	456	2.1	6,947	13.5	0.73	6.3
(16) 东 北	1.51	8,740	40.1	12,102	23.4	2.92	25.1

(17) 注: 表中未包括台湾省铁路。

Key:

1. Region
2. Railway network density, 1983, in km/100 sq km
3. Mileage of operating railways

[Key to Table 1, cont]

4. The year 1949
5. The year 1983
6. Mileage (km)
7. Percentage of national total
8. Completed freight volume for 1983
9. Freight volume (100 million tons)
10. Entire country
11. North China
12. East China
13. Central-South
14. Southwest
15. Northwest
16. Northeast
17. Note: Table does not include railways in Taiwan Province.

I. Major Achievements in Railway Construction Since the Nation's Founding

Since the founding of New China, the party and state have attached great importance to railway construction. In 35 years, over 40 trunk lines and over 60 branch lines have been built. The operating railway mileage totals 52,000 km, 30,000 km more than that prior to Liberation. We have carried out technological transformation on the existing trunk lines which have a heavy transportation load, thus greatly improving the transportation capability. The mileage for multiple lines has increased from some 860 km in 1949 to some 9,100 km. The major multiple lines are: The Beijing-Shanghai line, the Beijing-Guangzhou line (Beijing-Hengyang section), the Harbin-Jiamusi line, the Shijiazhuang-Taiyuan line, the Shijiazhuang-Dezhou line, the Lianyungang-Lanzhou line (Xuzhou-Baoji section) and the Beijing-Baotou line (Fengtai-Datong section). The multiple trunk lines which are currently under transformation are: The Jinan-Qingdao line, the Beijing-Guangzhou line (Hengyang-Guangzhou section), the Datong-Baotou line, the Shanghai-Hangzhou line, the Hangzhou-Nanchang line, the Harbin-Manzhouli line and the southern section of the Datong-Fenglingdu line (Taiyuan-Houma section). Transformation into multiple lines will be carried out on the following: The northern section of the Datong-Fenglingdu line, the Taiyuan-Jiaozuo line, the Xinxiang-Jiaozuo line and the Jiaozuo-Zhicheng line (Yueshan-Xiangfan section). We have built a total of some 2,300 km of electrified railways. The major electrified railways are: The Baoji-Chengdu line (China's first electrified railway), the Yangpingguan-Ankang line, the Baoji-Lanzhou line, the Shijiazhuang-Taiyuan line (China's first electrified multiple line), and the Xiangfan-Chongqing line (Xiangfan-Da Xian section). Currently, the electrified railways which are underway are: The Chengdu-Chongqing line, the Beijing-Baotou line (Fengtai-Datong section), the Beijing-Qinhuangdao line and the Guiyang-Kunming line. Electrification will be carried out on the following railways: The southern section of the Taiyuan-Jiaozuo line, the northern section of the Datong-Fenglingdu line, the Beijing-Yuanping line, the Lianyungang-Lanzhou line (Zhengzhou-Baoji section) and the Beijing-Guangzhou line (Zhengzhou-Wuchang section). Railway operation by internal combustion began in the 1950's. Currently, there are over 9,000 km of railways operated by internal

combustion. Our railway industry has developed from one with the ability to repair but without the ability to manufacture into an industrial sector that is rather fully equipped with a variety of departments. China can produce and manufacture various kinds of technological facilities needed in railway construction and transportation. Our railway factories can shoulder the design, manufacture, and assembly of main engines and components and parts of the locomotives and cars that are currently in operation.

Great strides have been made in railway construction, which has played an important role in national economic development. In 35 years, we have fulfilled a freight volume of over 16 billion tons and a passenger volume of over 19.8 billion people. Of this, freight volume in 1983 reached 1.16 billion tons and passenger volume 1.05 billion people, which are 20 times and 9 times greater than 1949, respectively. The freight turnover accomplished by the railways constitutes 71.4 percent of the gross freight turnover of the whole country, while that of passenger turnover constitutes 57.4 percent. The railways shoulder extremely arduous transportation tasks. However, the railway sector has overcome difficulties and has overfulfilled the transportation tasks dictated by the state every year. For over 30 years, the railway sector has delivered to the state profits and taxes which surpass the state investment by some 27 billion yuan, and has made due contributions to the state.

II. Obvious Improvements in the Overall Layout of the Railway Network

Most of the railways in the old China were concentrated in the northeast and the area east of the Beijing-Guangzhou line. These railways constituted over 80 percent of China's total operating railway mileage. Of this, the railways in the northeast constituted 40.1 percent of the national total, while the railways in the southwest and northwest regions only constituted 3.4 percent and 2.1 percent respectively.

Since the founding of New China, the state has attached great importance to improving the overall layout of the railway network by gradually extending the network to the broad western region. The first railway to be built after the nation's founding was the Chengdu-Chongqing line. Of the 30,000 km of railways built, the railways in the southwest and northwest regions have constituted 39 percent. Currently, the percentage of railways west of the Beijing-Guangzhou line has increased from 19 percent to over 45 percent.

Formerly, the railways in the southwestern region included only a narrow railway from Kunming to Hekou and very few mining railways in Sichuan, with a total length of some 700 km. By the end of 1983, this region possessed 5,900 km of railways. Of this, Guizhou Province has gone from "not having one inch of iron (railway) in the ground" to having 1,400 km of railways. Sichuan Province has gone from some 60 km of mining railways to some 2,800 km of railways. Even Yunnan has gone from some 600 km of railways to some 1,600 km of railways. The percentage of the railway mileage of the whole region has increased from 3.4 percent to 11.4 percent of the national total. With the successive repairs of the Chengdu-Chongqing line, the Chengdu-Kunming line, the Guiyang-Kunming line and the Chongqing-Guiyang line, Yunnan, Guizhou and Sichuan have been linked up as one body. The completion of the following four

external through lines, namely, the Baoji-Chengdu line, the Guiyang-Liuzhou line, the Zhuzhou-Guiyang line and the Xiangfan-Chongqing line, has established direct economic link between the southwestern region on the one hand and the eastern coastal region and the northwest region on the other. The preliminary formation of the framework for the railway network of the southwestern region has created extremely favorable conditions for the economic development of the southwestern region. In terms of the growth of gross value of industrial output [GVIO] in Sichuan Province, the value in 1983 is 40 times that of the early days of liberation; in Yunnan Province, it is 43 times; and in Guizhou Province, it is 41 times. The Southwest has already become our country's important strategic rear base.

Prior to liberation, the railways in the northwestern region included only some 400 km of the Tongguan-Tianshui section of the Lianyungang-Lanzhou line. There were no railways in the broad region of Xinjiang, Qinghai, Gansu and Ningxia. After the nation's founding, in the 1950's, the Baotou-Lanzhou line and the Tianshui-Lanzhou line were built. In the 1960's, the Lanzhou-Ulumuqi line and the Lanzhou-Xining line were built. After that, the Yangpingguan-Ankang line, the Houma-Xian line, the Tulufan-Kuerle line and the Xining-Geermu line were built. Currently, the total railway mileage is over 6,900 km (some 1,800 km in Shaanxi Province, some 2,200 km in Gansu Province, some 400 km in Ningxia Hui Autonomous Region, some 1,300 km in Xinjiang Uighur Autonomous Region, and some 1,000 km in Qinghai Province). At this point, we have completed the railway framework and trunk lines that link the northwestern region internally and externally. The railways have already linked up the capital cities of the various provinces and autonomous regions as well as some important industrial cities. This has enabled the industrial and agricultural production of the Great Northwest, which was formerly inaccessible and economically backward, to develop rapidly. For example, Lanzhou City had a population of 90,000 people when the city was built in 1941. By 1953, it still had only 300,000 people. Currently, there are four railway trunk lines (the Baotou-Lanzhou line, the Lanzhou-Ulumuqi line, the Lanzhou-Xining line and the Lianyungang-Lanzhou line) intersecting in Lanzhou. With smooth traffic, the city has a population of 2.4 million, which is equivalent to an industrial city of a rather large scale. In 1983, the GVIO was 12 times that of the GVIO of the entire Gansu Province prior to Liberation.

The rapid development of the economy of the southwestern and northwestern regions is inseparable from the extension of the railway network and the advanced promotion of railway construction.

While extending the railway network toward the southwestern region, we have also improved the overall layout of the railway network in the eastern region. The railway mileages of the East China, Central South and North China regions have all more than doubled those prior to the Liberation.

The railway mileage of the East China region has increased from some 3,600 km to some 7,400 km. Prior to liberation, Fujian Province also "did not have one inch of iron (railway) on the ground." In 1957, after the completion of the Yingtian-Xiamen railway, the Waiyang-Fuzhou railway was also built, thereby opening the northern passage way for Fujian Province. "Whether or not there

is wealth depends on the railway." The railway is the lifeline for Fujian Province. In addition, the successive completion of the Fuyang-Huainan and Wuhu-Guiqi lines has added to the East China region another north-south transportation trunk line, which not only can share some of the passenger and freight volumes of the Shanghai-Hangzhou and Shanghai-Nanjing lines, but also has played an extremely important role in the economic development of the area along the railway lines in Anhui and Jiangxi provinces. Of some 3,800 km of increased railway mileage in the East China region, Shanghai Municipality constitutes 200, Shandong Province 700, Anhui Province 800, Zhejiang Province 300, Jiangxi Province 700, and Fujian Province 1,000.

The railway mileage of the Central-South region has increased from some 3,500 km to some 8,300 km. The building of the Jiaozuo-Zhicheng and Zhicheng-Liuzhou lines has added to the west of the Beijing-Guangzhou line a major north-south trunk line that begins at Datong in the north and runs to Zhanjiang in the south. This has played an extremely important role in easing the tension in transportation of the Beijing-Guangzhou line and in strengthening the material exchange among the various provinces and autonomous regions of the north and south. The building of the Zhuzhou-Guiyang and Xiangfan-Chongqing lines has brought about closer economic ties between the Central-South and Southwest regions. With the completion of the Wuchang-Daye line and the Daye-Jiujiang line, the latter of which is under construction, another important passageway between the Central-South and East China regions will be added. This will be an important liaison line in the entire railway network. The freight from Nanchang to Wuhan will no longer go through Zhuzhou, which will shorten the transportation distance by 360 km. Calculating from the freight volume which could be shared in 1983, some 5 million yuan in operation fees and some 7.5 million yuan in transportation fees can be saved. Calculating from the freight volume which can be shared in 1990, some 45 million yuan in operation fees and some 85 million yuan in transportation fees can be saved. This will have both great economic significance and important strategic significance. After completion of the Sanshui-Maoming railway, which is under construction, the railways of coastal Guangdong Province and Guangxi Autonomous Region in the south will be directly linked up.

The railway mileage of the North China region has increased from some 4,000 km to some 10,000 km. We have successively built the following major trunk lines: The Fengtai-Shacheng line, the Jining-Erlan line, the Baotou-Lanzhou line, the Beijing-Chengde line, the Beijing-Taiyuan line, the Tong Xian-Tuozeitou line, the Beijing-Tongliao line, the Taiyuan-Jiaozuo line, the Handan-Changzhi line and the Beijing-Qinhuangdao line. This has increased Beijing's external passageway from four to nine lines. The passageway from inside to outside Shanhaiguan has increased to three lines (Beijing-Shenyang, Beijing-Tongliao and Beijing-Chengde). In the last few years, the volume of coal transported out of Shanxi Province has increased rapidly at an average increase of some 8 million tons every year. Currently, there are six lines (Beijing-Baotou, Beijing-Taiyuan, Shijiazhuang-Taiyuan, Taiyuan-Jiaozuo, Handan-Changzhi and the southern section of the Datong-Fenglingdu line) which serve as conduits to transport coal out of Shanxi. In 1983, some 97 million tons of coal were transported out. Although there was still a great shortage in transportation capacity, these existing railways have rendered important

contributions and have basically guaranteed the need for coal in the important coal-shortage regions of East China, the Central-South and the Northeast.

The Northeast region has the highest density of railways in China. Not many trunk lines have been built since the nation's founding. Besides building the Beijing-Tongliao line, the second largest passageway in and out of Shanhaiguan, and the Tongliao-Ranghulu line inside the region, we have primarily built lines to forests and mines. That our country's annual timber output can remain around 50 million cubic meters is inseparable from the building of a large number of railways in the Daxingan and Xiaoxingan mountains in the northeast. In the last 35 years, the national economy of the Northeast has developed rapidly. In particular, such heavy industrial sectors as steel, petroleum, machine-building, metallurgy and chemical industry have developed rapidly. This has resulted in a wide-margin growth of freight volume. The freight volume for 1983 was 5 times that of 1951. However, the railways have basically met this need. This is an obvious contrast to the overall tension in railway transportation in the other large regions inside the Shanhaiguan. The primary reason is because the railways of the Northeast region have basically been formed into a network. Railway transportation extends in all directions and is flexible. However, other regions only have several skeleton trunk lines. For instance, in an area of some 300,000 square km with Hangzhou, Zhuzhou, Zhengzhou and Xuzhou at the four corners (linked by the Beijing-Shanghai, Hangzhou-Nanchang, Beijing-Guangzhou and Lianyungang-Lanzhou lines) of a square, there is not one diversion line and liaison line. Thus, very often the lack of smooth flow at one point will affect the entire line or the entire area. Because the railways are not formed into a network, flexibility is lacking in transportation. Consequently, on the trunk lines where transportation is busy, "bottlenecked" sections are formed, resulting in overall tension and passivity in railway transportation and affecting national economic development. Thus, an urgent matter is to form the railways inside the Shanhaiguan into a network.

Since the nation's founding, our country has scored great achievements in railway construction and has improved remarkably the overall layout of the railway network. Currently, with the exception of Xizang, the various provinces, municipalities and autonomous regions have already possessed railways of a definite scale (see table 2), with railways that link the respective capital cities with Beijing. We have preliminarily formed our railways into a crisscross railway framework with Beijing as the center. Currently, the primary vertical trunk lines are: Haerbin-Shenyang-Dalian, Beijing-Shanghai, Beijing-Guangzhou, Datong-Taiyuan-Jiaozuo-Zhicheng-Liuzhou-Zhanjiang, and Baoji-Chengdu-Kunming. The primary horizontal trunk lines are: Manzhouli-Haerbin-Suifenhe, Qinhuangdao-Beijing-Baotou, Lianyungang-Lanzhou-Ulumuqi, Shanghai-Zhuzhou-Guiyang-Kunming, and Wuhan-Xiangfan-Ankang-Yangpingguan.

Table 2. Railway Development in the Various Provinces, Municipalities, and Autonomous Regions

(1) 地 区	(2) 铁 路 里 程 (公里)		1983年完成 货运量占比 (5) (%)	(1) 地 区	(2) 铁 路 里 程 (公里)		1983年完成 货运量占比 (5) (%)
	(3)1949年	(4)1983年			(3)1949年	(4)1983年	
(6) 全国总计	21,816	51,604	100	江 西	(20) 732	1,433	1.9
(7) 北 京	105	860	2.7	福 建	(21) —	1,028	1.1
(8) 天 津	—	398	1.6	湖 北	(22) 342	1,597	3.0
(9) 河 北	1,839	2,590	8.6	湖 南	(23) 911	2,300	3.3
(10) 山 西	1,000	2,177	11.8	广 东	(24) 561	846	2.4
(11) 内 蒙	1,734	4,797	4.0	广 西	(25) 539	1,633	1.4
(12) 辽 宁	2,416	3,533	11.5	四 川	(26) 68	2,876	4.1
(13) 吉 林	2,658	3,481	4.5	贵 州	(27) —	1,396	1.4
(14) 黑 龙 江	3,666	5,088	9.0	云 南	(28) 665	1,620	1.4
(15) 上 海	34	245	1.1	陕 西	(29) 456	1,875	2.2
(16) 江 苏	774	713	3.2	甘 肃	(30) —	2,222	1.8
(17) 山 东	901	1,672	4.9	宁 夏	(31) —	428	1.1
(18) 安 徽	712	1,543	3.7	新 疆	(32) —	1,342	0.9
(19) 浙 江	482	831	1.5	青 海	(33) —	1,098	0.3

(34) 注: 1. 江苏省铁路营业里程未增加, 由于省界范围调整, 铁路里程划出去了61公里;

2. 天津原属河北省, 1949年铁路未划分出。

3. 未包括台湾省资料。

Key to Table 2:

- | | |
|---|---------------|
| 1. Region | 17. Shandong |
| 2. Railway mileage (km) | 18. Anhui |
| 3. The year 1949 | 19. Zhejiang |
| 4. The year 1983 | 20. Jiangxi |
| 5. Freight volume fulfilled in 1983 (%) | 21. Fujian |
| 6. National totals | 22. Hubei |
| 7. Beijing | 23. Hunan |
| 8. Tianjin | 24. Guangdong |
| 9. Hebei | 25. Guangxi |
| 10. Shanxi | 26. Sichuan |
| 11. Nei Monggol | 27. Guizhou |
| 12. Liaoninggol | 28. Yunnan |
| 13. Jilin | 29. Shaanxi |
| 14. Heilongjiang | 30. Gansu |
| 15. Shanghai | 31. Ningxia |
| 16. Jiangsui | 32. Xinjiang |
| | 33. Qinghai |

34. Notes: 1) There has been no increase in the railway operating mileage in Jiangsu Province. Because of the readjustment of the provincial boundary, 61 km of railway mileage have been deleted.

2) Tianjin originally belonged to Hebei Province. Therefore, the railway mileage for 1949 was not listed under Tianjin.

3) Materials on Taiwan Province have not been included.

III. The Grand Plan for Future Construction

Since the nation's founding, although we have scored great achievements in railway construction and railway transportation, due to the rapid growth of passenger and freight volume, the contradiction between transportation capacity and transportation volume is still extremely prominent, and the needs for production development and people's travel are still not met.

In accordance with the strategic goal put forth by the 12th CPC Congress on national economic development, we must quadruple the gross value of industrial and agricultural output [GVIAO] by the end of this century and attain a level of comfort in the people's livelihood. According to our estimates, in 1990, the railway passenger volume will reach 1.5 billion people and the freight volume 1.6 billion tons. By the year 2000, the passenger volume will be 2.5 billion people and the freight volume will be 2.5 billion tons. The passenger and freight volumes will respectively be up 1.7-fold and 1.3-fold compared to 1980. The transportation tasks shouldered by the railways are very heavy. For this reason, we must put great effort into railway construction and prepare a corresponding railway capacity.

The building and development of railways obey the needs of the overall strategic arrangement of national economic development. Since the nation's founding, we have put our primary strength in building railways west of the Beijing-Guangzhou line. This is correct and conforms with the general strategic plan of the state. In the development of railways in the future, we must enable railway transportation to satisfy the demands for quadrupling GVIAO and for attaining a level of comfort for the people's livelihood, and make proper preparations for a transportation capacity that can fulfill a freight volume of 2.5 billion tons and a passenger volume of 2.5 billion people. In terms of the specific development and specific arrangement for the railways, we must resolve inconsistencies in the following five areas:

1. Resolve the inadequate capacity to transfer coal out of the Shanxi energy base. The Shanxi energy base is one of China's major coal production and supply base. The volume of coal to be transported out is growing rapidly, so rapidly that since 1978 it roughly takes up the capacity of one single line in one year and one double line in three years. Although technological transformation is actively being launched on the existing exit passageway, the gap between capacity and actual demand remains very wide. In 1983, 26 million tons of coal (primarily in the local mines far away from the railways) were stockpiled in Shanxi Province waiting to be transported. The development of abundant coal resources in western Nei Monggol and northern Shaanxi is also awaiting the building of railways. Thus, we must make arrangements for a definite number of railways in these regions. Currently, the Beijing-Qinhuangdao line is in temporary operation. The construction of the Xinxiang-Heze line and the Yanzhou-Shijiazhuo railway are actively underway. Construction of the first phase (from Datong to Huairou) of the Datong-Qinhuangdao railway, the first heavyweight railway in our country, will begin soon. In addition, the Houma-Yueshan railway and the Suoxian-Shijiazhuang railway, which are awaiting construction, are also important railways for transporting coal out of Shanxi.

2. Resolve the failure of railway transportation to adapt to the rapid economic development of the eastern region. Currently, the Beijing-Shanghai and Beijing-Guangzhou railways are unable to adapt to the transportation tasks of the East China Region and the Central-South Region. In addition, the rise of the 14 ports and special economic zones will also mean rapid growth in passenger and freight transportation and will demand the establishment of stronger economic ties with the hinterland. Of the 14 ports, some have railways but with inadequate railway capacity in the rear, such as Ningbo and Fuzhou; some are basically capable at present but will not be in the future, such as Dalian, Yantai, Lianyungang and Zhanjiang; and some have not yet had railways in their rear, such as Nantong, Wenzhou and Beihai. We must strengthen railway construction accordingly. The Beijing-Jiujiang railway which is awaiting construction will primarily solve the inadequate north-south transportation capacity. Construction of the Shangqiu-Fuyang section of this railway will begin soon. In addition, the Hefei-Jiujiang railway and some liaison lines and diversion lines will hopefully be built one after another.

3. Resolve the inability in railway transportation to adapt to the rapid growth of the transportation volume in and out of Shanhaiguan. In the past, the coal in the Northeast has all along supported the region inside the Shanhaiguan. However, in recent years, the coal in the Northeast not only has not been sent in but a large quantity of coal has been sent out of Shanhaiguan. The growth in the latter has been rapid. In 1978, 5 million tons were sent out of Shanhaiguan, and in 1983, 20 million tons. This is continuously growing. Currently, the three passageways out of Shanhaiguan (two of which are actually capable of shouldering freight volume, namely, the Beijing-Shenyang and Beijing-Tongliao lines) are no longer able to meet the needs. Construction of a new passageway out of Shanhaiguan is inevitable.

4. Resolve the inability of railway transportation to transport phosphate and coal out of the Southwest, and the large-scale allocation of coal into Sichuan in the future. Yunnan and Guizhou have abundant phosphate and coal resources. However, due to inadequate railway capacity, production is fixed on the basis of transportation. Sichuan has a shortage of energy. In the future, a large-scale allocation of coal is necessary. Rail transportation is also unable to meet this need. For this reason, we must put construction of the Nanning-Kunming railway on our daily agenda.

5. Resolve the inconsistency between economic development and railway transportation in the Northwestern region. The railway is a primary means of transportation in the northwestern region. Further development of the economy of the northwestern region will depend on whether or not railway construction takes the first step. Currently, people are eagerly calling for the construction of the Baoji-Zhongwei railway, the strengthening of the railway construction and external passageway capacity in the Xinjiang region and the construction of the road for transporting coal out of northern Shaanxi, and are awaiting the decision on construction by the concerned departments.

To solve the inconsistencies in railway transportation in the above five areas, we must tap potential and carry out transformation of the existing railways to improve transportation capacity. In addition, according to a report by relevant sectors of the Ministry of Railways, we must build some

20,000 km of railways, bringing the railway through mileage to over 7,500 km, before the end of this century. By that time, we will have built a more modernized railway network, will have further unfolded and perfected the distribution of the railway network, and will have guaranteed the needs for quadrupling GVIAO and for the people's transportation.

China's Railway Development

我国铁路发展示意图



Key:

- | | |
|--------------|---------------|
| 1. Ulumuqi | 16. Changchun |
| 2. Xining | 17. Qiqihar |
| 3. Lanzhou | 18. Harbin |
| 4. Kunming | 19. Shenyang |
| 5. Guiyang | 20. Jinan |
| 6. Liuzhou | 21. Shijiusuo |
| 7. Guangzhou | 22. Heze |
| 8. Zhuzhou | 23. Zhengzhou |
| 9. Chongqing | 24. Xuzhou |

[Key to map, cont]

- | | |
|-------------|--------------|
| 10. Daxian | 25. Nanjing |
| 11. Chengdu | 26. Shanghai |
| 12. Xi'an | 27. Hangzhou |
| 13. Taiyuan | 28. Fuzhou |
| 14. Huhehot | 29. Nanchang |
| 15. Beijing | 30. Wuhan |
-
- 31. Original railways prior to liberation
 - 32. Railways built after liberation
 - 33. New lines under construction
 - 34. New lines awaiting construction
 - 35. Multiple lines and electrified railways under or awaiting construction
 - 36. Note: This map does not include railways in Taiwan Province.

9335

CSO: 4006/690

TRANSPORTATION

RELAXING POLICY RESTRICTIONS INVOLVING PORTS DISCUSSED

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 3, 5 Mar 85 pp 6-7

[Article: "The Solution Lies in Relaxing Our Policy--Work Report Made by Zhao Weichen at the National Conference on the Work of the Ports"]

[Text] Recently, the Port Leading Group of the State Council convened a National Conference on the Work of the Ports. Deputy head Zhao Weichen [6392 4850 5256] of the Port Leading Group of the State Council made a work report to all the delegates. Zhao Weichen first recalled the situation in 1984: In 1984, after the State Council transmitted the notice on strengthening leadership over the work of the ports, the various sectors of the ports have conscientiously implemented the policy of opening to the outside world, improved foreign trade transportation work, strengthened planned management and done a good job of examination and inspection. Relatively good results have been achieved as a consequence.

Harbor loading and unloading volume has registered an actual increase of 15.8 percent over the preceding year. Record highs have been scored in the daily average operating ships, daily average loading of vehicles, inspection of entry-exit passengers, and inspection of entry-exit ships, airplanes and automobiles. Ocean shipping has surpassed the plan by 12.2 percent and has registered an increase of 15.8 percent over 1983. Of this, imports have increased 10.9 percent. Railway transport has increased 80 percent, highway transport 69 percent, and air transport 100 percent. Throughout the country, 25 international containerized shipping routes have been opened. We have made new strides in containerized transport. Under the circumstance of overfulfilling the plan for foreign trade transport, we have basically relieved the pressure on the harbors.

The harbor port leading group has been changed into the port leading group, which has begun to carry out unified management of the sea, land and air ports of the whole country. In the past year, we have approved the opening of seven water transport ports, namely Yingkou, Weihai, Longkou, Zhongshan, Shenchuanchiwan, Meisha and Zhuhaiwan, as well as the land transport port of Shenzhen's Shatoujiao. We have conducted a large volume of investigation and study on the situation of opening the sea, land and air ports of the whole country, including the border trading points.

Supervised personally by the leading comrades of the State Council, we have organized the concerned ministries and commissions to carry out reform on the harbor, ocean shipping and port management systems. In May, the State Council has approved the pilot project of transferring six units, including Tianjin Harbor, down to the local authorities. A system of management under dual leadership with the localities as the key was implemented. In August the Dalian Port Joint Committee was changed to the Dalian Port Management Committee, which was the organ of power under the leadership of the Dalian Municipal Party Committee and the Municipal People's Government. In November, the China Ocean-Shipping Company and the China Foreign Trade and Shipping Company were changed into independent economic entities not holding administrative functions. In order to strengthen planned transport and solve the problem of ships held up in ports, we have formulated "Several Regulations on Strengthening the Work of Dredging the Harbor," have formulated the methods of management for the planned transport of imported steel products, and have drawn up the methods of examining and approving the opening of ports and the criteria for staffing inspection and examination personnel.

In 1984, the various sectors of the ports made great improvements in their style of work. Their efficiency in work has improved. Several problems that were not resolved in the past have been solved. For instance, in the health quarantine, food inspection, animal and plant quarantine and commodity inspection units, formerly the inspection and quarantine of the same merchandise involved numerous trips to the ship and all kinds of samples were taken. Now, one sample is taken. We have formulated the provisional methods for handling the molding and decay of imported grain. We have solved the difficulty of unpunctuality of the third shift train of the Guangzhou-Kowloon line.

This year, the arrangement for the volume of imported steel products has already constituted 22 percent of the plan for the volume of import via ocean shipping for the entire year, thus occupying the No 1 position. In addition to satisfying the Central Committee plan demand for centralized distribution, the arrangement could only satisfy 46 percent of the volume of required steel products imported by the Central Committee and the localities through self-prepared foreign exchange. The shortage is great. If we do not strictly prioritize goods according to plan, we will inevitably bring in a large volume of goods outside the plan, which will hold up our ships and our harbors and will therefore assault the fulfillment of the plan for centralized distribution.

The import of raw materials for smelting steel has increased by a wide margin. The plan arranged for this year has already constituted 21 percent of the plan for import via ocean shipping. This plan is only able to satisfy the needs of centralized distribution by the state. The Ministry of Metallurgical Industry has proposed the import of raw materials outside the plan needed for the production of 3 million tons of steel products. The raw materials needed for 1 million tons of steel products have been arranged. Of this, due to the difficulty in loading and unloading scrap steel, the Ministry of Metallurgical Industry must strictly abide by the requirements for harbor loading and unloading and organize placing orders for goods and loading ships accordingly.

The export of petroleum and coal has continued to increase in large quantities. The total quantity of export constitutes 72 percent of the plan for export via ocean shipping. Of this, crude oil increased by 45 percent in 1984, and finished petroleum products and coal by 18 percent and 33 percent respectively. There are shortages in the loading capacity for crude oil. We must expand barge-to-barge transportation.

The import trade from the Soviet Union has increased. This year, the volume of trade is up by 73 percent over 1984. The volume of import-export transport has increased 89.2 percent. Of this, railway transport has increased by 69 percent and ocean shipping by 168.9 percent. The problem of transport requires specific arrangement and implementation.

The gap between the number of foreign trade ships awaiting operation in Hong Kong and the number of operating berths has become wider and wider.

In discussing the tasks for 1985, comrade Zhao Weichen emphasized the following areas of work:

1. We must persevere in the two-level balance and centralized management in foreign trade transport. Practice has proved that the method of "two-level balance and centralized management" is effective in doing a good job of the foreign trade transport plan. The foreign trade transport plan is a command-style plan. If we cannot fulfill the foreign trade transport plan, we will not be able to guarantee the fulfillment of our foreign trade tasks, which will in turn hinder fulfillment of the national economic plan. After the reform of the foreign trade system, we have expanded the local power of external transactions. The work of the local level has increased. The port offices of the localities at various levels must attach importance to and properly emphasize this work.

2. We must conscientiously implement the economic contract responsibility system. The task for this year is very heavy. However, our capacity has basically not increased. The solution lies in relaxing our policy and making use of economic levers to mobilize the enthusiasm of the staff members and workers, improve loading and unloading efficiency and expand our capacity. The comprehensive loading and unloading team of Dalian Port has scored very good economic results, so have Shanghai Port in implementing its single-ship wage content contract system, Qingdao Port in implementing a separate-district ship loading and unloading contract responsibility system according to ten-day plans, and Tianjin Port in implementing the vehicular and ship loading and unloading contract responsibility system. The various units must actively promote the responsibility system in light of concrete circumstances.

3. We must emphasize implementation of the various regulations on improving harbor-dredging. An analysis of the situation shows that our ships may be held up this year. Thus, the various ports must conscientiously implement the "Several Regulations on Strengthening the Work of Dredging the Harbor" issued by the General Office of the State Council.

4. We must actively support the reform of the system of harbor management and strengthen the unified leadership of the work of port management. The reform

of the system of harbor management is primarily the solution to the separation of duties between government and enterprise, the expansion of the autonomy of the enterprise and the reinvigoration of the enterprise. In port management, we must strengthen our horizontal link, carry out coordination and arbitration and bring into play the role of the port as "viceroy."

5. We must conscientiously implement the decision to reform the management of international ocean shipping and strengthen the management of ships and goods by the appropriate undertakings.

6. We must strengthen planning, tap potential and improve our comprehensive passage capacity. This year, the contradiction between transport volume and transport capability is still great. We must bring into full play the potential of our existing harbors and railways. In addition, we must fully utilize piers and airports for military use as well as piers for the dockyards and those for the cargo owners in order to supplement our inadequate transport capability.

7. We must strictly implement the system of examination before approval in opening ports.

The opening of ports must be carried out in a planned manner and reported according to planned procedure.

Port management involves a large area and many sectors of work, with intricate interrelationships. Furthermore, most units have external relationships. If work is not handled properly, not only will losses result in domestic economic construction and work, but it will also have an undesirable international effect. Lastly, comrade Zhao Weichen emphasized that the various sectors and working personnel of the ports must firmly erect the thinking of rendering service to opening to the outside world, to developing and building coastal harbors and cities, to promoting the development of foreign trade transport and international goodwill exchanges, and to realizing the four modernizations. In terms of transport organization, technological equipment, transformation and construction, we must guarantee the smooth flow of goods, passengers and communications vehicles in the sea, land and air ports, and score relatively good economic results. At the same time, we must strictly guard the pass of defending the country's rights and interests and unite in facing the outside world.

9335

CSO: 4006/689

BRIEFS

SHANGQIU-XUZHOU HIGHWAY PROJECT UPDATE--The Shangqiu-Xuzhou Highway project on state highway Route 310 is a key project involving the first disconnected road to be built under a schedule. This highway will run parallel to the Lianyungang-Lanzhou Railway. It begins from Jizhuang, west of Shangqiu City, and runs eastward through Henan, Anhui and Jiangsu provinces to reach Lianyungang--the open port on the eastern shore of the Huang Hai. It is referred to as the "Lianyungang-Lanzhou Highway." The building of this highway will have profound and farreaching strategic significance for reducing the pressure on the Lianyungang-Lanzhou Railway, accelerating the transport of coal out of Shanxi, and reviving the national economy. The section of Route 310 from Shangqiu to the provincial border inside Henan is 59 km long. The road foundation is 22 meters wide, with 9 meters of high-quality asphalt road surface. Some 150 bridges and tunnels will be built along the highway. Survey and design of the entire highway will be carried out according to the highest heavyweight criteria at home. The gross investment will be 40 million yuan. [Text] [Beijing GONGLU [HIGHWAYS] in Chinese No 3, 25 Mar 85 p 3] 9335

TIANJIN HARBOR CONSTRUCTION--The initial examination work for the project of (Dongtu) pier project in Tianjin Harbor has been completed. This is the first project in China that will be built with the loans from the World Bank. As one of the projects covered in the state's Seventh 5-Year Plan, the (Dongtu) pier project will use 1 billion yuan in investment and cover a total area of 1.3 million square meters. To the east of the container berth of the No 4 port, this project will cover 11 berths, including 4 timber-importing berths with a designed annual capacity of 1.5 million tons, 1 mining construction berth with a designed annual capacity of 1 million tons, and 6 foodstuff transport berths with a designed annual capacity of 1.98 million tons. [Summary] [Tianjin City Service in Mandarin 1430 GMT 20 Jun 85 SK]

DPRK PORT USED--Our province has made use of Chongjin Port in the DPRK for exporting. Chongjin Port is in North Hamgyong Province of the DPRK, which is 778 km from Harbin City of our province. The distance between Harbin City and Chongjin Port is 166 km shorter than that between Harbin City and Dalian Port of Liaoning Province. Chongjin Port is only 487 nautical miles from the nearest Japanese port, (?Aomori) Port. Under normal circumstances, a boat trip takes only 24 hours. Our province began to use Chongjin Port for exporting since 1983. In 1983 the province exported 23,000 tons of commodities through this port. In 1984 the province exported 50,000 tons of commodities through this port and imported 10,000 tons of goods. In 1985 the province plans to export 60,000 tons of commodities and to import 10,000 tons of goods through this port. The departments concerned hold that using Chongjin Port not only may relieve the strained transportation situation at the exporting ports of Dalian and Qinhuangdao that are traditionally responsible for exporting our province's commodities, but because of the shortened distance, also may save railway and ship transportation fees. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 28 Jul 85 SK]

HONG KONG MEDIA ON CHINA

OUTLOOK 5 YEARS AFTER IMPLEMENTATION OF SPECIAL POLICY

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 27, 8 Jul 85 pp 18-20

Article by Liang Lingguang [2733 7227 0342], Governor of Guangdong Province: "Outcome of the Special Policy Implemented by Guangdong in the First 5 Years and Prospects for the Next"]

[Text] With a view to developing fully the assets of Guangdong Province, accelerating the process of economic construction and gaining experience in the implementation of the open door policy, the decision was made by the CPC Central Committee and the State Council that a special policy and flexible measures are to be adopted by Guangdong and Fujian as of 1979. The first special feature of the policy is that the entire province of Guangdong should be more open than other provinces, that the domestic economy should be invigorated to a larger extent and that more authority should be vested in the lower levels. The second special feature is that special economic zones should be established in Shenzhen, Zhuhai and Shantou and that a similar policy should be applied to Hainan. According to this policy, Guangzhou and Zhanjiang are to be made cities open to the outside world and the three cities of Foshan, Jiangmen and Zhongshan and the 13 counties such as Panyu are to be made open economic zones in the Zhu Jiang delta.

I. Achievements During the 5 Years Since Implementation of the Special Policy

Through the implementation of the special policy of opening to the outside world and of invigorating the domestic economy, the national economy throughout the province flourished between 1980 and 1984 as manifested in the following.:

1. Speeding up of economic construction. In 1984, the gross production value of the province totalled 77.53 billion yuan with an average progressive rate of increase of 11.8 percent while the gross industrial and agricultural production value came to 53.55 billion yuan with the average rate of progressive increase of 11.4 percent for the 5-year period. This rate of increase is higher than the overall national average for the same period.

2. Prosperity in the marketplace and stability of commodity prices. Trading was brisk, the marketplace was active in the cities and villages and there was

an abundance of commodities. In 1984, total commodity retail sales amounted to 27.33 billion yuan, showing a 1.6-fold increase during the 5-year period and an average progressive rate of increase of 21 percent. During the same period, the overall index of commodity prices throughout the province rose by only 1.2 percent compared to 1983.

3. Acquisition of foreign capital by various means and rapid development of foreign trade. By the end of 1984, the province had signed 50,000 contracts for the utilization of foreign capital (90 percent involving processing and assembly). These contracts called for an investment of over \$7 billion of which over \$1.9 billion has already been put to use. Projects involving economic and technical cooperation covering all trades and businesses have accelerated economic construction and proved profitable to the investors. The amount of exports increased by 1.4-fold over that prior to the implementation of the open door policy. An international market has also been established.

The tourist industry has also been vigorously developed. In the last 5 years, foreign capital has been used to construct and to rebuild a number of hotels and restaurants to accommodate 9 times the number of tourists from abroad. Tourist facilities have been considerably improved while the quality and attitude of service have also been upgraded. The number of visitors and tourists entering the province came to 11.98 persons/times.

4. Progress in the scientific and technical fields. During the last 5 years, almost \$1 billion has been brought in for the acquisition of technologies, equipment, superior varieties of livestock and seeds, the remolding of a number of old enterprises and the extensive promotion of scientific and technical exchange. Two-thirds of the counties and cities in the province are engaged in the processing and assembling of materials and products from abroad employing almost 500,000 people. Modern production techniques are also being gradually mastered.

5. Rapid development and construction of the three special economic zones of Shenzhen, Zhuhai and Shantou and coastal regions open to the outside world. In particular, an early start and rapid progress have been made by the Shenzhen SEZ, which showed a substantial increase in industrial production and revenues. The effort made by Shenzhen to serve as a "window" for the import of technical and management know-how and for implementation of the open door policy in the process of socialist modernized construction has caught the attention of people at home and abroad.

6. Notable improvement in the livelihood of the people. During 1984, the average wages for staff workers throughout the province showed an increase of 70.6 percent compared to 1979. Even discounting the increase in commodity prices, the real increase still amounted to 36.4 percent. The average net income of the peasants showed an increase of over 90 percent compared to 1979 and an average annual progressive rate of increase of 13.8 percent (compared to the average progressive rate of increase of 3.3 percent for the previous 22 years). During the last 5 years, employment has been found for 2.54 million people. The amount of savings of the people in the cities and villages increased 3.8 times compared to 1979.

7. Strengthening of projects to promote spiritual civilization. Considerable progress was made in the field of education and culture. The ideological consciousness of the people has been continually raised and notable progress has been made in the social climate and security.

8. Training and upgrading the contingent of cadres. Training has been given to management personnel well-versed in foreign trade while advanced scientific methods of management have been brought in from abroad.

II. Prospects for Further Expansion of Economic and Technical Cooperation

The future promises well for further expanding Guangdong's economic and technical cooperation with foreign countries. This is due to the fact that Guangdong possesses favorable natural conditions, an abundance of natural resources and favorable communication and transportation facilities. Seven of the 22 cities and areas throughout the nation open to foreign countries are in Guangdong Province. Following several years of construction, the investment climate is vastly improved and better service is rendered in transportation, communications, housing and purchasing. In the years to come, we shall make an even greater effort to expand economic cooperation and trade relations with all countries and regions in the world. Through the expansion of economic and technical cooperation with foreign countries, it is our intention to do a creditable job in the field of construction in such forward areas open to foreign countries as the three special economic zones, the two cities of Guangzhou and Zhanjiang and the two regions of Hainan and the Zhu Jiang delta so that they may truly become windows for the import of technology and management know-how in line with the open door policy, that they may be capable of taking the lead in bringing prosperity to the province by being economically and culturally well developed and scientifically and technologically advanced and that they may render support to and spur on the mountainous and other regions in promoting the economic development of the entire province. To achieve this objective, we have decided to accelerate, between now and the Seventh 5-year Plan period (1986-1990), the reform of the economic system, the import of foreign capital, advanced techniques and personnel, the construction of energy and communications projects, the technical renovation of the old enterprises and the economic coordination and cooperation of the different regions with the various departments of the central government. We are confident in our ability to achieve the strategic objective of quadrupling the gross value of our industrial and agricultural production set by the 12th CPC National Congress 5 years ahead of time so that the livelihood of the people of Guangdong may be brought up to a moderately high level at an early date.

With the need for the economic development of Guangdong in mind, it is our plan to strengthen our economic and technical cooperation with the various countries and regions in the world in the following areas:

1. Accelerating the development of energy resources and transportation and communications. Our plan calls for stepping up the development of electricity production. Aside from the construction of nuclear energy stations now in progress, we must also construct a great number of large thermal power plants and medium and small hydroelectric power plants. In transportation, we must

speed up the construction of the multiple track railway between Hengyang and Guangzhou, that between Guangzhou and Shenzhen, and the construction of the railway between Sanshui and Maoming. We must also construct expressways between Zhuhai and Foshan, rebuild a number of highway trunklines, extend the harbors in Huangpu and Zhanjiang, construct deep water harbors at Chiwan in Shenzhen and Yangpu in Hainan, and develop inland river transportation, sea transportation between north and south and ocean transportation. In communications, we must speed up the renovation of the telephone system in the medium-sized cities and telephone lines over long distances. We must also extend the construction of a number of airfields and develop local civil aviation on a trial basis.

2. Technical reform of industrial enterprises. Emphasis is to be placed on the light and textile industries, the food industry, construction materials, and the manufacturing of machinery and development of high-grade food and beverages, packaging materials and containers, high-quality ceramics, long polyester silk fiber, synthetic fabrics, new types of construction materials and light machinery equipment.

3. Development and utilization of natural resources. Following the exploitation of oil fields in Hainan, steps should be taken to develop crude oil processing, the petrochemical industry and the natural gas industry and to construct a number of rear-service bases for the petroleum industry in Hainan, to establish a nonferrous metal base with emphasis on lead and zinc and to extend the two steel and iron enterprises in Guangzhou and Shaoguan.

4. The development of new industries on a priority basis. These include mainly electronic products, miniature electronic computers, instruments and meters, biochemical engineering, the chemical industry and newly developed materials and decorative construction materials.

5. Stepping up the import of advanced agricultural techniques, especially the planting and cultivation of tropical crops, improved varieties of crops and breeds of livestock, ocean and freshwater breeding of aquatic products and ocean fishing, the processing of agricultural products and the preservation of vegetables and fruits.

6. Continued development of tourism and construction of facilities in cities and towns. Emphasis is to be placed on the four busy tourist routes from Guangzhou to Shenzhen, Guangzhou to Zhongshan and Zhuhai, Guangzhou to Shaoguan and Guangzhou to Zhaoqing, the opening of new tourist centers, accelerating the establishment of Sanyazhen in Hainan as a winter tourist resort and the continued remodeling of a number of guesthouses and restaurants and the addition of tourist facilities. As regards construction projects in cities and towns, emphasis is to be placed on the development of public utilities, the rebuilding and construction of housing, the addition of cultural institutions and environmental protection.

We welcome the establishment of economic cooperation with foreign businessmen and investment by large financial groups as well as by medium and small entrepreneurs. Preferential treatment is to be accorded in line with our policy.

III. Policy of Preferential Treatment To Encourage Investments

Guangdong and Fujian, by continuing to adopt flexible measures in implementing the special policy set by the CPC Central Committee and the State Council, have entered into a new phase. All the specific policy measures which have proved to be effective during the last 5 years will continue to be adopted. Under the new circumstances in the development of the situation and in keeping with the relevant plans made by the CPC Central Committee and the State Council, new features will be added whenever necessary. We shall continue to abide by the policy of the state in the light of the actual circumstances prevailing in our province and provide guidance to the cities and counties according to their different circumstances in order to avoid major errors in our work.

As stipulated by the state, it is the policy of Guangdong Province to encourage foreign businessmen to invest and to develop economic and technical cooperation in our province. These policy measures include the following:

A. Preferential Tax Policy

1. The levying, reduction and exemption of income tax. A 15 percent income tax is levied on joint and cooperative enterprises and production enterprises wholly owned by foreign businessmen in the special economic zones, Hainan Island and the two economic and technical development zones in the cities of Guangzhou and Zhanjiang. In the open economic zone in the Zhu Jiang delta, 80 percent of the existing tax rate will be levied on the above-mentioned enterprises. According to stipulations, no income tax is to be levied on the legitimate profits transferred out of the country by foreign businessmen.

Upon approval, a 15 percent tax is to be levied on energy, transportation and port projects as well as projects involving intensive technical know-how and productive investment projects of foreign businessmen above \$30 million with long recovery periods within the city limits of Guangzhou, Zhanjiang, Zhuhai and Shantou and in the open economic zone in the Zhu Jiang delta.

According to the tax law, jointly operated enterprises the duration of which exceeds 10 years are to be exempt from the payment of taxes for the 1st and 2d years and half the amount of taxes is to be levied in the 3d, 4th and 5th years. Until a new tax law has been formulated, the same terms may also be applied to joint and cooperative enterprises and enterprises wholly owned by foreign businessmen according to particular circumstances.

Upon expiration of the period for the reduction and exemption of taxes mentioned above, a reduction of the income tax amounting to 15 to 30 percent may be levied on joint enterprises at their request for another 10 years for agricultural and forestry projects yielding low profits and joint enterprises in the economically backward remote areas.

2. Reduction and exemption of import and export duties and the unified industrial and commercial tax. According to the law, joint and cooperative enterprises and enterprises wholly owned by foreign businessmen are to be exempt from the payment of customs duties and unified industrial and

commercial taxes for the import of machinery, the necessary materials and spare parts for setting up factories (workshops) and for the installation of equipment for investment purposes according to the contract and materials and the necessary accessories for the construction of tourist guesthouses on a cooperative basis, if they are engaged in energy development, basic construction of railways, highways and ports, industry, agriculture, forestry, animal husbandry, livestock breeding, deep sea fishing, scientific research and medicine and public health.

According to stipulations, the export products of the above-mentioned production enterprises are to be exempt from the industrial portion of the unified industrial and commercial tax. Special consideration may be given to requests for the reduction or exemption of the unified industrial and commercial tax for products that are permitted to be sold domestically.

The means of communication and office equipment imported by joint and cooperative enterprises and enterprises wholly owned by foreign businessmen as well as household articles and the means of transportation imported by foreign businessmen and their technical personnel and staff workers for their own use are to be exempt from customs duties and the unified industrial and commercial tax.

3. The 20 percent income tax levied in advance on usage fees to be paid by foreign businessmen for special permission to use their exclusive technologies and on the interest for loans extended by foreign businessmen in the special economic zones, economic and technical development zones within the city limits of the cities where the enterprises of foreign businessmen are located, Hainan Island, and the open economic zone in the Zhu Jiang delta, is to be reduced as a general rule to 10 percent. Tax exemption may also be granted to projects involving advanced techniques and exclusive techniques of special value and to low interest loans upon request.

4. Such preferential treatment as the reduction and exemption of real estate, land use and land taxes may be given when authorized by the state and warranted by actual circumstances.

B. Permission for a Portion of the Products To Be Sold in the Domestic Market

Under normal circumstances, the joint and cooperative enterprises and enterprises wholly owned by foreign businessmen must export most if not all of their products in order to achieve a balance in their foreign exchange holdings. However, to encourage the influx of foreign capital and to accelerate the import of advanced technology, flexible measures are to be adopted to permit part of their products, a larger proportion of their products involving intensive know-how, and a major portion of their products calling for specially advanced techniques and in demand in the nation to be sold domestically.

Special consideration is to be given to the methods of marketing and to market outlets for high-quality products truly involving advanced techniques turned out by the joint and cooperative enterprises and enterprises wholly owned by foreign businessmen and permitted to be sold domestically. Flexible measures

are to be adopted in fixing the selling prices according to the quality of the products. Preferential prices are to be charged for raw materials and fuel required for the manufacture of such products purchased domestically.

C. Safeguarding the interests of foreign investments. The principle of equality and reciprocity is to be adopted for direct investments by foreign businessmen. The legitimate rights of foreign industrial and commercial enterprises, legal persons, overseas Chinese and compatriots from Hong Kong and Macao who engage in economic and technical cooperation or investment in our province are protected by our constitution and the laws of our nation. The people's governments at various levels and the concerned departments and enterprises are to make a special point of honoring their contract obligations and upholding their integrity in engaging in projects of economic and technical cooperation with foreigners. Contract disputes are to be settled in a just and amicable manner and in accordance with the principle of equality and reciprocity.

D. Freedom in selecting the method of investment and safeguarding the autonomous powers of the enterprises in their operations. A variety of flexible measures are to be adopted in attracting foreign capital. Investors may choose to engage in direct investment by setting up factories, in joint operations with our enterprises, in cooperative operations, in supplying materials, articles and samples for processing and assembling, in adopting compensatory trade, leasing, the extension of loans or in engaging in wholly-owned operations. The principle of mutual satisfaction and reciprocity is to be applied no matter what form of operation is adopted. The normal period for joint operations is 10 to 30 years. It may be extended to over 30 years for projects involving large investments, long-term projects and projects yielding low profits.

So long as they abide by the laws, the rules and administrative regulations of the nation, the joint and cooperative enterprises and enterprises wholly owned by foreigners are authorized to manage their own operations according to the terms of the agreements and contracts signed by both parties. The boards of directors are to be responsible for the operations of their enterprises.

As has been pointed out by Director Deng Xiaoping, there will be no change in China's open door policy during this century and the first 50 years of the next, and no change is likely to be made in the following 50 years. What he said can absolutely be counted on. Likewise, we shall not deviate from upholding the principle of equality and reciprocity in the days to come. In keeping with this principle and policy, the concerned departments in our nation and our province are presently engaged in the work of economic legislation on a priority basis to facilitate the full implementation of the open door policy. Due to the lack of experience in this type of work, we may have our shortcomings and commit certain errors. However, we shall continue to seek the truth from facts, to learn from the sum of our experiences, to make improvements and to direct our efforts toward ensuring the continuity and stability of our policy.

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HONG KONG ECONOMIC TRENDS

RECENT HISTORY OF HONG KONG'S ECONOMIC DEVELOPMENT ANALYZED

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 3, 25 Mar 85 pp 11-16

[Article by Huang Xiaohui [7806 1420 1979]: "The Characteristics of Hong Kong's Economy and the Trend of Its Development"]

[Text] The rapid development of Hong Kong's economy in the past 30 years has been regarded by the outside world as "a modern miracle". However, as people look back on Hong Kong's entire course of development, they frequently find that several characteristics of Hong Kong's economy--dependence, adaptability, monopolism, speculativeness, internationalism--have at all times accompanied its growth.

I. Dependence of Hong Kong's Economy

In the early days of the founding of the port, the building of Hong Kong's economy was in a sense totally subject to the interests of certain British financial groups. However, Hong Kong was used by other people because it was located at the communications center of the Asia-Pacific region, situated at the southern gateway of China and in possession of "the finest harbor in the Orient". These qualifications happened to coincide with the needs of British colonialists who were vainly seeking world hegemony and attempting to make inroads into China's huge market as part of their global design. In order to suit local development to their needs, Hong Kong's economy took the path of "developing its strengths and compensating for its shortcomings". From the outset, the excellent geographic location and its fine harbor were fully utilized in the development of entrepot trade and shipping business. Its lack of natural resources and a labor force were overcome and compensated for through free trade and imports. Since Hong Kong's economy has developed on the foundation of extreme deficiency in resources, it acquired the character of external dependence from the very beginning.

Today, Hong Kong has become a developed, industrial and commercial port city of over 5 million people; yet it remains dependent on imports for most of its means of subsistence, equipment, raw materials and semi-manufactured products for economic construction; and it is not even self-sufficient in fresh water. The manufacturing industry, which is the most important pillar of Hong Kong's economy, relies on the international market not only for its supply of

equipment and raw materials but also to absorb over 90 percent of its manufactured goods. Dependence results from Hong Kong's long-term subjection to the ups and downs of the world economy which also brings instability. Hong Kong has suffered in varying degrees from the impact of several postwar capitalist crises.

Fortunately, there were new breakthroughs in postwar science and technology and major developments in international trade so that Hong Kong also benefited from the improvement of the overall situation and experienced fairly rapid economic growth. Entering the 1970's, despite the worst postwar recession in the world economy and other unfavorable effects such as skyrocketing oil prices and worldwide inflation, trade activities between Hong Kong and the hinterland accelerated in the middle and latter half of the decade due to the fact that Hong Kong is adjoined to the motherland. In addition, Hong Kong's economy is highly flexible and strong in adaptability, with extensive international ties and plenty of room for maneuver. It has been able to surmount problems fairly quickly when they arise and to sustain uninterrupted growth.

II. Adaptability of Hong Kong's Economy

The most distinct characteristic of Hong Kong's economy is its adaptability. Hong Kong is the most important communications and trade center in the Asia-Pacific region. All of its economic activities are subordinate to the needs of capitalist world trade so that it has developed the habit of adjusting itself to changes in the international market. More importantly, due to the lack of resources and a small local market, Hong Kong has to rely heavily on overseas markets and adapt itself to changes in them in order to survive and develop. These are the two factors behind Hong Kong's economic adaptability. Entering the 1950's, because of the embargo imposed on New China by imperialist countries of the West, entrepot trade declined and Hong Kong shifted to manufacturing. The adaptability of Hong Kong's economy approached maturity along with the growth of its manufacturing industries and the strengthening of Hong Kong's role in the world economy. While objective reality did call for it throughout this process, Hong Kong truly possesses the conditions conducive to the development of such adaptability.

1. Hong Kong is a free port which practices a free capitalist economy: trading is free, with no restrictions on the movement of ordinary commodities in and out of Hong Kong; capital funds circulate freely and currencies are freely converted; and businesses are operated freely with emphasis on free competition and very little government intervention. Procedures for starting and closing down businesses are simple; investors, industrialists and businessmen may at any time adjust the form or substance of their operations as needed and quickly adapt themselves to market changes.

2. Hong Kong is small in area. Its economic establishments are usually small and easy to change and adjust. For example, the mainstay of Hong Kong's manufacturing industry is light and textile industry, whose factories are mostly small and medium-sized that primarily manufacture products of medium quality. Currently there are 50,000 factories, of which 96 percent are small in scale; manufactured products are mostly consumer goods supplied to

countries in the West. Such structures of industry and products are characterized by low investment cost, quick set up, elaborate division of labor and ease of conversion from one type of product to another. These are the major conditions that make the manufacturing industry highly adaptable.

3. The business connections and channels of circulation which Hong Kong built with overseas markets in the process of development for the past 150 years and the advanced telecommunication and communication systems developed in recent years have made it possible for Hong Kong to have swift access to information on overseas markets and make timely adjustments according to market changes. A minister of the British Government once remarked: A slight breeze of demand from anywhere in the world is all it takes for the manufacturing industry of Hong Kong to immediately catch it and set sail in that direction.

4. Unique historical circumstances have enabled Hong Kong to combine the merits of Eastern and Western management techniques--the flexibility of traditional management of the East and the modern scientific management of the West--to develop a highly efficient form of management which is unique in style and adaptable to the international market.

At present, Hong Kong tops the world in 10 categories of export manufactured goods. This is undoubtedly a result of the highly flexible and adaptable operation of the manufacturing and business firms. In addition, Hong Kong's finance, public services, shipping and tourism are also well-known for their flexible forms of management and ability to keep pace with the latest trends in the world. Hong Kong has been able to become a region that encompasses several key centers of manufacturing, trade, finance, shipping and information essentially because of its high degree of adaptability.

III. Monopolistic Nature of Hong Kong's Economy

Another distinct characteristic of Hong Kong's economy is the monopolistic control over its various economic sectors by local British capital and financial groups.

Chief among these British capital and financial groups are: the Hongkong and Shanghai Banking Corp, Hong Kong Land Co Ltd, Jardine-Matheson and Co, Swire Pacific Ltd, Wheelock-Marden and Co Ltd, and Kadoorie and Sons. These groups have a long historical background in Hong Kong; they owe their growth and expansion to their development in the Far East and particularly Hong Kong. Compared with other foreign capital groups or even with those recently arrived from Great Britain, they are the most thoroughly Hong Kong in character and are known as the local British capital and financial groups.

Statistics show that in October 1984, 7 of the 10 most-valued companies in the Hong Kong Stock Market are of British capital; while the total market value of the stocks of these 7 firms represented 41.6 percent of the gross market value of all stocks (HK\$158.05 billion). The strength of these companies, whether in terms of assets, profits or business volume, is way above that of the majority of the others. These companies therefore play a fairly substantial role in providing employment and the production, sale and circulation of commodities and services. At the same time, due to their

extensive scope of business, a company may be simultaneously engaged in the areas of finance, trade and marketing, shipping and warehousing and real estate development. Corporate decisions play a highly dominant role in the entire economy through interrelations among the various economic links (money market, capital market, labor market, commodity market).

The most distinct manifestations of monopoly by the British capital and financial groups are none other than the issuance of currency and the banking business. There is no central bank in Hong Kong; the issuance of currency has been entrusted to two British capital banks--the Hongkong and Shanghai Bank and the Chartered Bank. At the same time, these two banks serve as clearing banks (the most convenient position to collect business and financial information) and preside over the Hong Kong Association of Banks (the organ that controls bank interest rates). In short, empowered by the Hong Kong British Government, these two commercial banks simultaneously enjoy the privileges of issuing bank notes, handling government revenue and expenditure, clearing bank bills and participating in the intervention of the financial market. In addition, in real estate business, the largest company at present remains Hong Kong Land; other large British capital and financial groups also own a lot of properties. In the area of air and maritime transport, Wheelock, Jardine, and Swire are still Hong Kong's most important shipowners, shipping brokers and charter owners, which also provide the principal air services. Moreover, Cathay Pacific Airline, a subsidiary of Swire and the Hongkong and Shanghai Banking Corp, is the only airline representing Hong Kong which has the right to reciprocate with airlines of other countries the rights of flying in the other's air space, landing and levying charges. In the area of public services, companies controlled and operated by British capital and financial groups include: Cable and Wireless (Hong Kong) Ltd, the Hong Kong Telephone Co Ltd, China Light and Power Co Ltd, Hong Kong Electric Co Ltd and the Hong Kong Cross Harbour Tunnel Co Ltd. At present, electricity, telephone and telecommunication services in Hong Kong are entirely operated by British capital companies.

The monopolistic status of British capital and financial groups in Hong Kong's economy remain distinct while the formation of this situation was inevitable. Its reasons may be summed up as follows:

1. Historically, British capital was the first Western capital to enter Hong Kong and as such it enjoyed the advantage of "first come first served". Moreover, by virtue of the abundance of funds, relatively more advanced science and technology and extensive international connections, once it entered certain trades it was able to effectively keep out other competitors or maintain a long-term advantageous position.
2. Hong Kong has long been under British rule and the Hong Kong British Government is essentially the chief representative of British capital and financial groups in Hong Kong. As such, these groups possess a special political status and enjoy certain privileges, hence they reap more economic benefits; all these are beyond the wildest hopes of other capital groups. For example, certain British capital groups which are running public services are granted sole management rights by the Hong Kong British Government (Cable and Wireless (Hong Kong) Ltd enjoys sole management rights over international

telegraph services through September of the year 2006; the Hong Kong Telephone Co enjoys sole management rights over telephone services through June 1995; and the Hong Kong Cross Harbour Tunnel Co Ltd enjoys sole management rights through August 1999), which placed them in a monopoly status.

3. For a long time, chief officers of British capital and financial groups have frequently been appointed to serve as ex-officio members of the executive and legislative councils and to participate in key government decisionmaking. Prominent examples include Michael Sandberg, board chairman of the Hongkong and Shanghai Banking Corp, and Lydia Dunn, director of the Hongkong and Shanghai Banking Corp and Swire, both of whom are members of the two councils. Being at the center of power, not only can they influence government decisions but also have control of the most confidential and comprehensive information. This is of great help to the strategy and tactics of business investment and operations; this is also a status unmatched by other capital groups.

4. Because they share similar backgrounds and have common interests, British capital and financial groups find it fairly easy to unite in the rivalry among financial groups or matters of interest. They acquire stocks from each other, while board memberships of the companies are concurrently held, resulting in a network of mutual support and unity against external challenges. For example, in 1980, faced with the threat of a takeover by Chinese capital groups, Hong Kong Land and Jardine acquired more of each other's stock rights. Though it was costly, control over their stocks was consolidated for the moment.

Although the territories of British capital and financial groups have recently been subject to incessant encroachment from Chinese capital groups, and the strategic retreat and unwise moves of some British financial groups have created some setback for their development, British capital and financial groups currently still maintain considerable advantage and monopoly in Hong Kong.

IV. Speculativeness of Hong Kong's Economy

Speculation is a prominent feature of Hong Kong's economy. Basically, reckless pursuit of profit and engaging in speculative activities are phenomena that widely exist in capitalist societies. But compared to other capitalist societies, speculation is even more intense in Hong Kong.

Commercial speculation is popular in Hong Kong; not only do financial groups actively engage in and control such activities, individual citizens also take an active part, turning the whole of Hong Kong into a big arena for speculation. Many commodities have become objects of speculative purchase and sale, such as "stock speculation," "gold speculation," "speculation in new buildings" and "license speculation," to mention a few. The extent of speculative activities in Hong Kong is far greater than in the big cities of many developed capitalist countries. These activities have a great influence on society and economy.

The intense speculative character of Hong Kong has been formed by the following:

1. Compared to other capitalist economies, the economy of Hong Kong receives little government intervention and control; businesses have considerable freedom of operation. Hong Kong's economic legislation, which is based on the principle of simplicity and convenience, has more than a few loopholes. Consequently, enterprises in Hong Kong are rather free in their operations, and there are grounds and opportunities conducive to speculative activities. For example, owing to the looseness of banking legislation, the requirements in banking operations are not restrictive. Taking advantage of this fact, banks freely make loans to real estate companies during real estate sprees, which promotes real estate speculation.

2. Following the founding of New China, the Chinese Government for various considerations adopted a policy of temporarily maintaining the status quo without immediately reclaiming Hong Kong or announcing when it would do so and what its future policy would be. This stabilized Hong Kong's political status but it also made Hong Kong a highly sensitive area. This special position of Hong Kong worried many investors on long-term investment. For a long time, investments made there have been mostly short- or medium-term, and many investors are obsessed with speculative activities that do not require fixed capital investment, hoping to reap big profits in a short time or preparing to leave when it becomes necessary.

3. The land policy practiced by the Hong Kong British Government is one of the causes of rampant speculative activities. The ownership of Hong Kong's real estate is highly concentrated in the hands of the authorities. Individuals who want to develop real estate must first purchase the land from the government. Rapid population growth and high demand for housing in postwar Hong Kong has turned land into a rare commodity. Under this situation, by adopting the method of selling land at irregular intervals in batches and small quantities frequently according to the ups and downs of the market and coordinated by other measures, the Hong Kong British authorities control land prices in a planned way and force them to increase continuously; in reality they take the lead in setting off speculative activities in real estate. Since the majority of the stocks in the Hong Kong stock market are real estate stocks, speculative activities in real estate directly affect the entire stock market, which in turn affects the overall money market.

4. The international financial market is a major scene of various types of capitalist financial speculation. As the financial center of the Asia-Pacific region, Hong Kong is bound to have relatively more speculative activities for which a certain price has to be paid. Hong Kong has been visited several times by some of the world's "idle money" which set off sprees in the Hong Kong stock market. Local stockholders repeatedly lose their bearings because of such "wild surges" and suffer heavy losses. Moreover, the mutual support between Hong Kong's position as a financial center and local speculation is another major reason that speculation is prevalent in Hong Kong. For a time, the various financial organizations in Hong Kong reaped enormous profits through real estate speculation, but they have also been burdened by speculative activities.

Speculative activities in Hong Kong frequently serve to provide short-term stimuli to the economy, but on a long-term basis they only bring instability

and crises to the society. An obvious example is the extended period of stagnancy following a spree in real estate speculation.

V. Internationalism of Hong Kong's Economy

As a key commercial center, transportation center, information center, financial center and manufacturing center of the Asia-Pacific region, Hong Kong is undoubtedly an industrial and commercial international port city. Along with the continued development of the various key functions mentioned above, the capability of Hong Kong's economy has surpassed its own needs. The services provided by many of its businesses are already regional or even international in nature, while the construction of many local establishments and facilities has of course relied on the role and efforts of the funds and talents of different countries. At present, Hong Kong boasts a high concentration of international capital and transnational corporations, which is precisely why it is logical that Hong Kong is able to play such an important role in the world economy.

Among the various sectors in Hong Kong, finance has the strongest international character. Hong Kong is currently the world's third largest banking center, behind only New York and London. It ranks with New York, London and Zurich as one of the world's four largest gold markets. It trails only London, New York and Paris as the world's fourth largest center where international bank consortium loans are handled. It is an off-track transaction center for the international foreign exchange market in the Far East, and at the same time it is the center for the insurance business and a major stock market in Asia.

Apart from its excellent geographic location and conditions and the impetus of world economic development, there are internal factors that have contributed to the formation of the international character of Hong Kong's economy: despite its lack of resources, as a free port, Hong Kong practices a free economy and a free enterprise system, adopts low taxation and permits the free inflow and outflow of capital funds; at the same time, the government pays considerable attention to the modernization of basic facilities, possesses a set of management methods that suit economic development, and provides highly efficient industrial and commercial management. All these measures have made Hong Kong attractive to international capital and have created a favorable environment for investment.

It is the interplay of these internal and external factors that has transformed Hong Kong in a very short time from a small and insignificant place into an international city where international capital competes for a spot and which serves several key functions all by itself.

VI. Trends of Development

At the end of 1984, the leaders of China and Great Britain signed a joint declaration in Beijing on the question of Hong Kong. Henceforth, Hong Kong entered a brand new historical phase. As the situation evolves, the major characteristics of the economy of Hong Kong will undergo certain changes.

The dependent character of Hong Kong's economy stems from its own limitations which will be difficult to change in the long run. However, as increasingly close economic ties are developed with the Chinese hinterland, particularly in commerce, Hong Kong's dependence on overseas markets will be reduced and the hinterland will substitute for some of these markets. It will provide more opportunities for diversification of Hong Kong's economy, enabling it to attain greater flexibility and to a certain extent making up for its fragility. In addition, the four modernizations campaign of the hinterland will directly or indirectly bring increasing benefits to Hong Kong, which will help sustain its prosperity and stability and strengthen Hong Kong's hand in its dealings with the outside world.

Permitting Hong Kong to continue its free capitalist economic system for an extended period of time will in reality maintain the important condition for its adaptability to exist and develop. Therefore, adaptability will continue to be a magic weapon by which Hong Kong's economy may maintain its role in the world market.

As Hong Kong's economy continues to maintain its present capitalist economic system, major financial groups will continue their monopoly on the various economic sectors; control over the various economic sectors by a few financial groups will intensify. However, as more foreign capital and Chinese capital are invested in Hong Kong, the monopolistic status of the local British capital and financial groups will be correspondingly weakened. Local Chinese capital, capital from the hinterland, American capital, Japanese capital and capital from Southeast Asia will grow in strength. It may even occur that financial groups with diverse origins acquire each other's stocks or enter into joint ventures.

In the period when Hong Kong continues its free capitalist economic system and maintains its position as a financial center, speculative activities will continue to exist. But as Hong Kong's future becomes brighter, fixed capital and long-term investment will increase, foreign capital will flow toward those economic sectors that are relatively stable, and market speculation should decrease somewhat. Moreover, if the Hong Kong Government (including the Hong Kong British Government and the government run by the people of Hong Kong) in formulating its policies can avoid similar errors in policy decisions that resulted in the former real estate speculation sprees, speculative activities will be reduced to some extent.

During the transitional period and the 50 years that follow, Hong Kong will remain extremely attractive to overseas capital owing to its excellent environment for investment and the hinterland's open door policy. Along with the continued influx of international capital and further development of the economy in the Asia-Pacific region, the internationalization of Hong Kong's economy will intensify.

In the foreseeable future, Hong Kong's economy will on the one hand develop along with the general trend of the capitalist world economy as a whole--further concentration of capital, development toward internationalization. On the other hand, the new situation will create better conditions for development--closer economic ties with the hinterland will create new

opportunities for the growth of Hong Kong; the prospects will be good, investment will increase; with a stable situation, speculative activities will be reduced somewhat. In short, Hong Kong's economy is moving forward; not only will it play an important role in China's four modernizations campaign, but its own position in the economic life of the world will also be further strengthened.

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September 5, 1985